

EUROPEAN NEWS

Giscard consigns Paris-Bonn axis to the dustbin of history

By George Graham in Paris

THE Paris-Bonn axis on which France and West Germany have centred most of their European policy efforts for the last 30 years was yesterday pronounced dead by one of its leading architects.

Mr Valéry Giscard d'Estaing, who as French President between 1974 and 1981 helped to develop the Franco-German partnership into the cornerstone of the European Community, said that the dialogue between the two countries was no longer at

the heart of the European debate. "Franco-German intimacy is no longer at the centre of the process of European union. We must recognise for this, for it is a considerable change for us," the former President said in an interview with the *Figaro* newspaper.

Tracing a line from Jean Monnet and Robert Schuman, through General de Gaulle and Chancellor Adenauer, to his own relationship with Mr Helmut Schmidt, his West German opposite number, Mr Giscard said

that the reconciliation between West Germany and France had since 1948 been viewed as the motor of European union.

"From the beginning of this year, however, the leaders of federal Germany have given priority to two other dialogues: dialogue with the United States on security, and dialogue with the Soviet Union on unification.

Mr Giscard said that this explained why the recent Franco-German initiative to press for European

political union was so vague. Criticising the failure of politicians to take full account of the change in Europe, he called for the current technical discussions on European political union, which have been overtaken by events, to be put back on the rails by Europe's political leaders.

He reserved some of his sharpest criticism for the stifling of the process of monetary union in a welter of technicalities.

"Under the influence, notably, of

the central bank governors, the debate on European monetary union has drifted for the last three years towards a discussion restricted to insiders on the convergence of monetary policies. This pleases both those who hope to delay the arrival of a European currency by adding to the obstacles in its path, and those who hope to return on the European level to an active interventionism which we have got rid of on the national level."



Giscard: critical of politicians

Markovic prepares for a legendary struggle

By Laura Silber in Belgrade

A SERBIAN legend tells of Duke Gojko, who built the city walls around Shkodra by day, while sprites destroyed his work by night.

Mr Ante Markovic, the Yugoslav Prime Minister, resembles the mythical Gojko as he fights against entrenched opposition in the six republics to build a market economy.

At a rally attended by tens of thousands in the central republic of Bosnia-Herzegovina on Sunday, Mr Markovic, 64, announced that he would form "an alliance of reformist forces to build a new and prosperous Yugoslavia."

But his federal Government's plan for an alliance of parties has met with strong opposition from the republics, particularly Serbia, the biggest republic, which sees a pan-Yugoslav party as a threat to its own authority.

Opinion polls published in the Yugoslav federal newspaper, *Borta*, show high popular support for the federal Government.

Seventy-nine per cent of Yugoslavs surveyed said they would vote for the Government, which curbed last year's hyperinflation and introduced the convertibility of the dinar.

Yugoslavs have rallied to Mr Markovic's contagious optimism as a counterpoint to the gloomy nationalist rhetoric of the local republican leaders.

The Prime Minister recently completed a month-long tour of the country, where he met local politicians and businessmen, to gain endorsement for his reforms and win a consensus on Yugoslav unity.

"Everywhere we went throughout the country, we got the answer that each republic wants to remain within Yugoslavia," he said.

His alliance is banking on this popularity lasting until the end of the year when federal elections will be held. After a successful first stage of reforms, including the increase of currency reserves to \$2.5bn, the Government aims to begin privatisation, stimulate investment and impose a federal fiscal policy to alleviate the deepening recession.

A law on enterprises, one of 16 new laws in the second package of reforms, states that if a socially owned enterprise is not partly privatised within two years, a newly-formed agency for restructuring will step in.

The fate of the reforms depends on close compliance by the republics, which have often put up obstacles in the past.

In the safe knowledge that his government programme has already won the public's confidence, Mr Markovic has now challenged other political parties to seek power if they think they can restructure Yugoslav society better than he.

Bonn reschedules DM3bn Polish debt

West Germany signed an agreement with Poland yesterday to reschedule DM3bn (31bn) of Polish debt, the Foreign Ministry said. Reuter reports from Bonn.

The accord is part of a general financial package agreed by the Paris Club of western nations in February to help Poland cope with its hard-currency foreign debt, estimated at \$4bn.

It gives Poland 14 years to repay in instalments debts to West German banks and exporters which were originally due by March 31, 1991 and which had been guaranteed by the Bonn Government.

E Germany to spend nearly DM1bn on new weapons

By David Goodhart in Bonn and Leslie Collett in East Berlin



Rubbish surrounds Checkpoint Charlie, former symbol of German division, and now the site of a street market

be transferred to the Bundeswehr - whose strength will be limited to 370,000 after unification.

The dismembering of the NPA, and its equipment, is causing headaches for the military planners in Bonn. In the light of political pressure for a lower West German defence budget it will be difficult to throw away equipment; but on the other hand, it will also be difficult to integrate weapons such as MiG-29s into the united German armed forces.

A bizarre controversy has also developed between the Soviet Union and East Germany over the scrapping of the Soviet-made weapons.

East Germany wants Moscow to destroy the anti-tank missiles and other weapons which it ordered but no longer requires. The Soviet Union, however, wants East Germany to accept the weapons and then scrap them. Mr Gehler indicated that the cost of safe disposal of the weapons was an important factor in the squabble.

UK tries to repair the Ridley damage

By Robert Mauthner, Diplomatic Correspondent

BRITAIN made a special effort over the weekend to assure West Germany of the importance it attached to good relations between the two countries, notwithstanding recent disparaging comments by Mr Nicholas Ridley, the former Trade and Industry Minister.

Talks between Mr Hans-Dietrich Genscher, the Bonn Foreign Minister, and Mrs Margaret Thatcher, the British Prime Minister, as well as with his British opposite number, Mr Douglas Hurd, were described as very friendly by Mr Genscher.

The West German minister, who was Mr Hurd's guest at lunch on Sunday and at a performance by the Glyndebourne Opera, expressed particular appreciation of his host's support at the recent "2 plus 4" talks in Paris on German unification.

However, Mrs Thatcher used

the occasion of her meeting to reiterate Britain's rejection of the single European currency plan supported by most of the other European Community countries, and to renew her advocacy of the alternative British "hard Ecu" scheme.

There was no indication that two sides have come any closer on this problem, which is likely to dominate the EC agenda in the autumn and winter.

Dutch try to turn back a wave of job-related disability

One in six workers could be drawing generous state benefits by next year, writes Ronald van de Krol

THIS summer, a simple statistic has come to haunt Dutch politicians and business people, spurring them at last to look into ways of halting the explosive growth of a key part of the Dutch welfare state - disability benefit.

Unless action is taken soon, as many as one million people will be drawing disability benefits in the Netherlands by 1993.

The one-million figure is particularly worrying because the country, with a total population of less than 15 million, has a labour pool of just six million people.

Already, there are more than 800,000 people registered as being "arbeidsongeschikt" - that is, incapacitated, or unfit to work in one way or another. Their ranks are being swelled by an additional 100,000 every year.

Unlike most other countries, the Dutch definition of disabil-

ity is extremely generous, taking in not only victims of industrial accidents but also workers who suffer from stress, nervous exhaustion or serious emotional problems at the office that make them unable to hold down their jobs. Many people drawing the benefit are aged between 30 and 50, and they are entitled to payments until they turn 65.

The financial and human costs of the disability burden are enormous. Last year, the government paid out Fl122bn (66.5bn) in disability entitlements, representing the single biggest item of social security spending after the state's old-age pension scheme.

At the same time, people who draw the benefit - which is known by its Dutch acronym WAO - have come to form a distinct social group. Referred to by themselves and by others as "WAOers", they are virtually unemployable, even if

their disability is slight enough to allow a return to paid employment.

In the autumn, the government, employers and unions are expected to sit down and search for ways of reducing the problem.

The government has threatened to impose quotas that

would require companies to ensure that 5 per cent of their workforce consists of returning WAOers. Employers, while resisting mandatory quotas, are prepared to find suitable tasks within their organisations for people who can no longer perform their old jobs, provided that the whole WAO system is overhauled.

The likely outcome of the talks is not yet clear. Nor is there a satisfactory explanation for why the Netherlands, with its high standard of living, excellent health care and good working conditions, should be prone to such high rates of disability. Particularly worrying is the fact that approximately one-third of benefit recipients have been declared unfit to work for psychological reasons.

One answer is that the Dutch business community gladly made use of the disability scheme during the recess-

sion of the late 1970s and early 1980s as an easy and humane way of shedding jobs. Because disability benefits are far more generous than normal unemployment benefits, it was in the interests of employees to agree to seek a medical ruling declaring them "unfit," either for physical or psychological reasons.

Another theory links disability to the country's high rate of productivity, reputed to be the best in Europe. "The flip side of our productivity record is that people who are having difficulties get shunted into the incapacitated category, and the best workers get left behind on the shop floor," one union official said.

People declared unfit receive 70 per cent of their last salary, up to a maximum annual salary of Fl65,000. This means that the maximum annual WAO benefit can run to Fl45,500, roughly equivalent to

a median Dutch income. "I certainly think that the scheme is attractive to the number of people joining it," according to Theresia Snelders, an adviser on social security matters at the employers' group VNO. However, others dispute this, pointing out that the inflow of new WAOers has remained constant despite a cut in the pay-out rate to 70 per cent in the late 1980s from 80 per cent previously.

Most observers link the prevalence of disability payments to high rates of absenteeism in the Netherlands, where employees are one-and-a-half times more likely to call in sick than their Belgian and German counterparts. "In the border areas where Belgian workers are employed by Dutch companies, you tend to find that absenteeism resembles that of the Dutch after a while," Ms Snelders said.

The economic document to be approved in Venice is the fruit of the labour of seven working parties. Projects, and in some cases their financing, will be identified for the next three years in areas such as transport, the environment, telecommunications, science and technology, information, small and medium-sized business and culture.

Kurds ambush Turkish soldiers

KURDISH separatists killed seven soldiers, including a garrison commander, in an ambush in south-east Turkey on Sunday night after losing about 30 fighters in gun battles, writes Jim Bodogier in Ankara. The semi-official Anatolian news agency reported that at least 30 Marxist Kurdish Workers Party (PKK) rebels, nine soldiers and two civilian village guards had been killed in clashes in the region last week and at the weekend.

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Central Europe urged to lay welcome mat for foreign investors

By John Lloyd

THE THREE post-Communist states of central Europe should throw open their economies to as much foreign direct investment as they can attract in order to increase their competitiveness with the west, according to a new study.

Prepared by the consulting company Central European Investments, the study is the first which systematically compares the economic strategies of Czechoslovakia, Hungary and Poland, and grades them according to efficiency.

It shows clearly the dominance of West German capital in central Europe. This accounts for 30 per cent of total foreign capital in Hungary, closely followed by Austria (28 per cent), Switzerland (14 per cent) and the US, UK and Sweden with minor shares. In Poland, Germany accounts for 35 per cent, followed by Sweden at nearly 9 per cent, Austria and the US at 6.5 per cent and France and the UK on just over 4 per cent.

Most foreign direct investment in Hungary has gone to the agroindustrial and electronics sectors, while in Poland it has gone to industry.

The study says that direct investment brings capital and expertise and that taxes paid by foreign companies will play a large part in reducing the huge debt burdens of Poland and Hungary. By contrast, domestic investment has attracted little capital or technology, and has not improved working practices.

The study paints a complex picture of strengths and weaknesses in the three economies.

Broadly, Hungary is considerably ahead in openness to the west and in economic reforms;

Poland offers the largest market and could become a vital "corridor" between Germany and the Soviet Union (or Russia); and Czechoslovakia has the best infrastructure and the highest living standards and skill levels.

On the other hand, Poland has poor infrastructure - especially telecommunications - and has attracted relatively little direct investment. Czechoslovakia lags considerably in

introducing legislation on

economic reforms,

attracting

insignificant levels of foreign

investment

and is deemed less

committed to it than the other two.

Hungary is seen as having

fewer of the drawbacks of the

other two, even though it has a

smaller population,

a smaller territory

and is landlocked.

It is regarded as being in the lead

in terms of political resolution,

regulations for foreign investment,

commercial banking, privatisa-

tion policy, entrepreneurship

and self-marketing.

However, both Poland and

Czechoslovakia are given higher

rankings than Hungary for

"fundamental strengths".

The report suggests that the main

obstacle in Czechoslovakia is its

political, regulatory and ad-

ministrative structure, and that if

this were corrected it "could

leap-frog the progress made in

Hungary and Poland, with

strongly manufacturing

growth".

Hungary and Poland have

INTERNATIONAL NEWS

Indian coalition in talks to avert cabinet split

By K. K. Sharma in New Delhi

LEADERS of Janata Dal, the main party in India's National Front coalition government, and senior representatives of supporting parties were last night locked in hectic talks to resolve a crisis which threatens to split the cabinet.

It arose from angry demands by many cabinet ministers for the dismissal of Mr Devi Lal, deputy Prime Minister, after he accused two ministerial colleagues of corruption. His allegations were made on the basis of a letter which Mr V. P. Singh, the Prime Minister, has said was forged.

The crisis threatens the unity of the Janata Dal and demonstrates the fragility of the factious-ruled cabinet.

Mr Devi Lal made his charges of corruption two weeks ago, when the government faced collapse after 13 ministers resigned to protest against the re-election of Mr Devi Lal's eldest son as chief minister of the north-western state of Haryana.

The controversial son, Mr Om Prakash Chautala, origi-

nally resigned two months ago as chief minister after charges of violence and ballot-rigging in a Haryana by-election. He resigned for a second time after just five days back in office. The crisis appeared to blow over when Mr Singh refused to accept the resignations of the 13 ministers, but has now been renewed.

The row derives from the turmoil into which the party was thrown by the protests against Mr Chautala's election. The 13 ministers said his elevation to the position was organised by Mr Devi Lal. The deputy prime minister has long been accused of nepotism and promoting his family's political interests.

As part of his counter-attack, Mr Devi Lal accused two cabinet ministers, Mr Arun Nehru and Mr Arif Mohammed Khan, of corruption.

He wrote to the prime minister making the charges, insisting his case on a letter he claimed had been written by Mr Singh in 1988, when he was in Mr Rajiv Gandhi's government.

Burmese opposition urges government to step down

By Our Foreign Staff

BURMA's opposition National League for Democracy has called on the military government to release all political prisoners, end curbs on civil liberties and step down in favour of a new parliament by September at the latest.

The opposition demands, contained in a tough statement made available to journalists yesterday, were the first sign of open confrontation with the ruling State Law and Order Restoration Council (Slorc) since the League won a massive victory in the country's elections on May 27, diplomats said.

The league criticised the military government's delay in handing over power as "shameful" and urged it to transfer power to a new regime under an "interim constitution" which it has drawn up.

The league's statement, called the Gandhi Declaration,

after the hall in which it was drawn up, said: "It is against political nature that the league, which has overwhelmingly won enough seats in the parliament to form a government, has been prohibited from minimum democratic rights.

"It is shameful in the eyes of the people and of the international community."

The NLD won 90 per cent of the 485 seats contested in the elections. However, all subsequent calls for talks with the Slorc have been ignored.

The party's call was made through resolutions adopted at the end of a two-day meeting in Rangoon.

The NLD's move reflects the opposition's loss of patience over the Slorc's repeated insistence that no transfer of power can take place until a constitution, accepted by referendum, has been promulgated and put in place.

APPOINTMENTS



John W. Burrows



S.W.R. Moore (Sandy)

The Board of Directors of NovAtel Communications Ltd. is pleased to announce the appointments of John W. Burrows as Chairman and Chief Executive Officer, and S.W.R. Moore (Sandy) as President and Chief Operating Officer of the Company.

Mr. Burrows has served as a founding Director of NovAtel since January 1983, and as Chairman of the Board since January 1987. As well, he has been a member of the Alberta Government Telephones Commission since February 1980.

Mr. Moore joined NovAtel as Executive Vice President in March 1988 after 16 years' service in senior marketing, sales and general management positions with a major telecommunications equipment supplier. His extensive experience in systems and subscriber equipment production and marketing strategies will be of great value as Mr. Moore undertakes his new responsibilities as President and Chief Operating Officer of the Company.

Headquartered in Calgary, Alberta, Canada, NovAtel Communications Ltd. is a subsidiary of Alberta Government Telephones. A leader in cellular technology, NovAtel currently employs more than 1,500 people in the research, development, manufacture and sales of cellular telephones and cellular systems worldwide.



NovAtel Communications Ltd.

Hungary

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For details on this conference Sept. 17-18 at the Atrium Hyatt in Budapest, in U.S. call 1-800-852-7108, from U.K. call U.S. at (703) 527-0039, in Europe call (49-30) 31-0341.

A turbulent flight for Indian Airlines

The state-owned domestic carrier flies into further controversy, writes K.K. Sharma

INDIAN Airlines, the much-criticised government-owned domestic carrier, has been jinxed ever since one of its fleet of 15 Airbus A320s crashed in Bangalore last February. There is no sign yet that it is anywhere near getting over its troubles. Indeed, the airline's problems seem to be growing. It has been without a full-time executive head since last February and the government is finding it difficult to find a new chairman-cum-managing director for it. Even the airline's day-to-day operations seem to depend on guidance from the Ministry of Civil Aviation.

The fleet of Airbus A320s has been grounded since the Bangalore crash, a decision that is now being criticised as having been taken for political reasons to embarrass the previous Rajiv Gandhi government which was responsible for the controversial deal to buy the sophisticated fly-by-wire aircraft.

Party leaders were last night trying to produce a formula to resolve the crisis with the help of the Bharatiya Janata Party and the Marxists, the two parties which support the National Front.

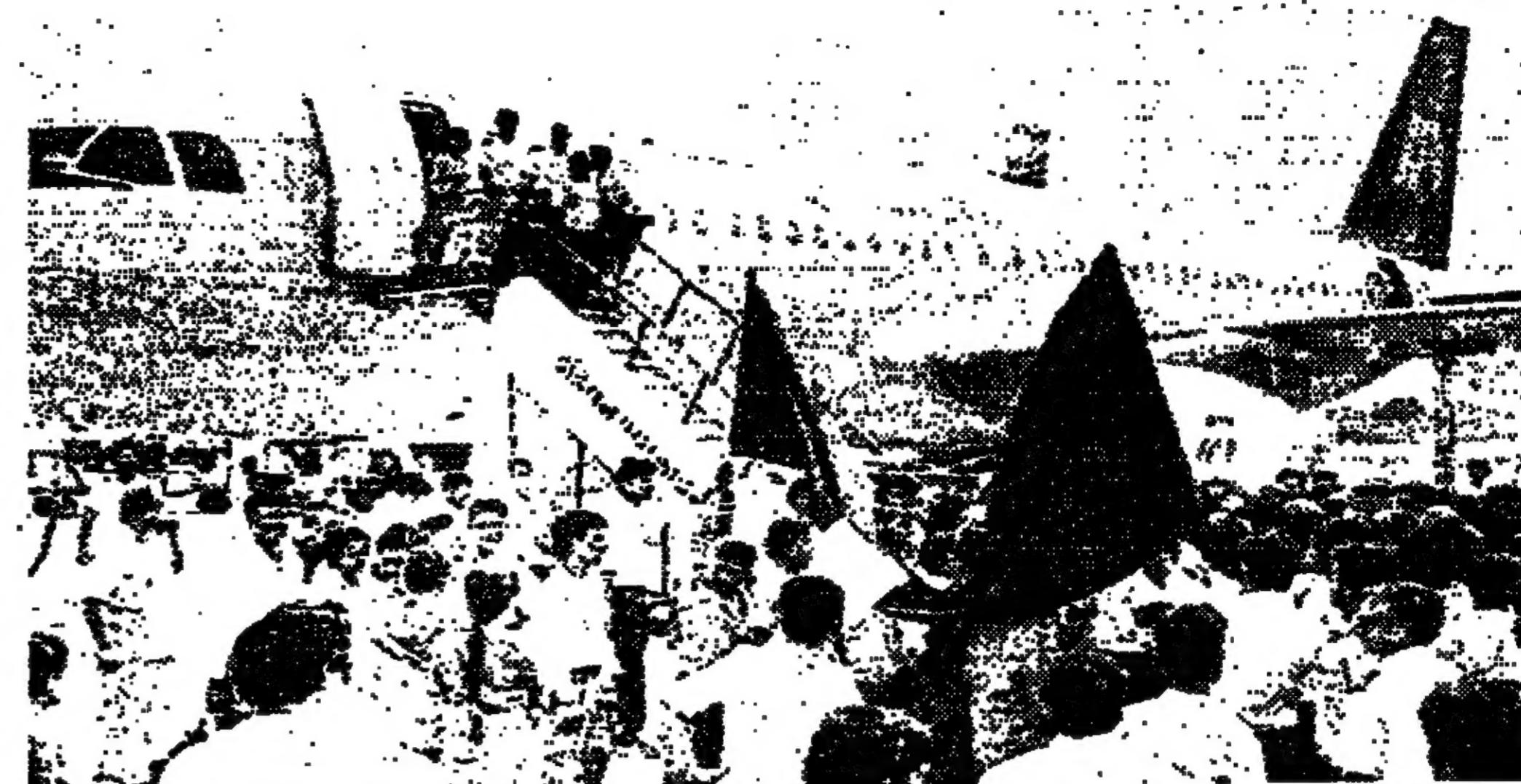
Mr Devi Lal has resisted a proposal for an unqualified apology and it might not, in fact, be acceptable to the two accused ministers.

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Mr Devi Lal has resisted a proposal for an unqualified apology and it might not, in fact, be acceptable to the two accused ministers.

But the big question remains: when will commercial flights of the Airbus 320 begin again? Just when Indian Airlines was to make the first flight on July 16 on the Hyderabad-Bangalore route, it was hastily scrapped because of a political crisis in the government.

The committee recommended that all Airbus 320 pilots should undergo six weeks of ground refresher training in addition to four simulator sessions of 90 minutes each. They were also asked to undertake 90 minutes of actual flying training and



Employees of Indian Airlines protest against the re-introduction of the grounded Airbus-A320

fire route checks, some of them monitored by outside experts. Fearing that many of the pilots would fail to come up to the exacting standards required in the route checks, the Association has demanded consultations on the proposed training programme.

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The criminal proceedings are not being halted but Mr Khan and officials insist now that they are totally satisfied with the aircraft that had been consistently maligned for more than four months.

To establish that the Airbus 320 is airworthy and safe in Indian service, Mr Khan took a party of journalists and some members of parliament with him on a demonstration flight earlier this month. Although television newscasts solemnly reported the "safe" landing of the demonstration flight, there

is little doubt that the prolonged attack on the airworthiness of the Airbus 320 has considerably eroded public confidence in it.

Mr Khan insists that the Ramdas committee's recommendations on preparing

Indian airports, crew members and engineers to operate the Airbus 320 will be rigidly applied and this is the reason for the plans to make the entire fleet operational again slowly. Karlen plans to lease the aircraft and to refuse delivery of others from Airbus Industrie have now been abandoned.

But the prolonged grounding of the fleet has meant that Indian Airlines will take years to recover its heavy operational losses. The airline has already suffered losses of Rs700m (£22.3m) because of grounding of the Airbus 320 fleet. Even if the differences with the pilots are resolved, the losses will continue because of the phased re-introduction of the aircraft into commercial service. Expected losses on account of charges linked with the acquisition of the Airbus 320 are estimated at Rs1.4bn this year. This means that Indian Airlines' nominal profit of Rs107m last year will be wiped out and it will be in the red for a number of years.

Having been forced sharply to curtail its operations to just 35 aircraft, daily capacity has been cut from 30,000 passengers a day to 23,000. Public anger at long delays and cancellations against a corporation that has never been known for its efficiency or courtesy has mounted as a result.

Consumer organisations are demanding domestic competition, although steps in this direction have caused airline employees to threaten further disruptions that will only cause more damage to its operations and profitability.

S Africa set to repeal housing law

By Patil Waldmeir in Johannesburg

THE South African Government is likely to repeal the Group Areas Act, the main law enforcing residential segregation, early next year, Mr Org Marais, deputy Minister of Finance, said yesterday.

It was the clearest indication yet of the government's timetable for abolishing the remaining "pillars of apartheid" - which apart from the Group Areas Act, consist of the Land Act and the Population Registration Act - and comes 10 days before Pretoria and the African National Congress (ANC) are to meet for peace talks.

The talks look almost certain to go ahead on August 6 despite a bid by Pretoria to have Mr Joe Slovo, Secretary General of the South African Communist Party (SACP), excluded from the ANC negotiating team.

Rebel leader Charles Taylor, who heads the 15,000-strong National Patriotic Front of Liberia (NPFL), encouraged an exodus from Monrovia by urging people to move to rebel-held areas.

But a rival rebel leader, Prince Yormie Johnson, whose forces led the offensive into Monrovia, has called Mr Taylor a Libyan-trained communist who should be tried for embezzlement. Mr Johnson, who said he led 7,000 heavily armed men into the capital, called Mr Taylor "a criminal and a rogue".

It appeared likely last night that the government might back down on this demand, after it became clear that Pretoria had wrongly accused Mr Slovo of attending a secret meeting in May which plotted the overthrow of the state. Mr Slovo's passport shows that he was not in South Africa on the date of the meeting.

The government's error in accusing Mr Slovo of attending the May meeting will embarrass President F.W. de Klerk, and he may seek a face-saving formula to let him participate.

NEWS IN BRIEF

Taiwan plans to lift curbs on gold exports

TAIWAN HAS decided in principle to lift restrictions on the export of gold, the Finance Ministry confirmed yesterday, writes Peter Wickenden in Taipei.

Taiwan is a leading gold importer and the central bank holds some 13.5m ounces. The ministry at present grants export permits, usually for small quantities, to individuals visiting relatives in China. Dealers are not allowed to export it.

UK appeals on Lagos executions

Britain yesterday appealed to Nigeria not to execute any more people convicted of taking part in a failed coup attempt in April, writes our Foreign Staff. Last Friday 42 people found guilty of plotting to overthrow President Ibrahim Babangida were executed in Lagos by firing squad. Thirty-one more are to be retried.

Pacific Forum upset at chemicals

The incineration of US nerve and mustard gas on remote Johnston Atoll could inflame an otherwise placid 21st South Pacific Forum, forum officials said yesterday, Reuter reports from Vanuatu. The issue has pushed long-time interests such as French nuclear testing well down the agenda, they said.

Zambian prisoners freed

Zambia yesterday freed four political prisoners serving life sentences for plotting to overthrow President Kenneth Kaunda, writes Peter Wickenden in Lusaka.

Mr Edward Shunwaya, a former high court judge, Mr Godwin Yoray Mumba, Mr Albert Chilimbwe and Mr Deogratius Sumba, a Zairean, were released under a presidential pardon announced last week.

Mongolian rulers weakened

Mongolia's ruling Communist Party, unchallenged for 60 years, appeared likely to lose a significant slice of power to the democratic opposition as early results trickled in yesterday, Reuter reports from Ulan Bator.

The opposition was expected to win 35-45 per cent of seats in the more powerful lower house of parliament, according to projections from preliminary results with about a quarter of the vote counted, an election official said.

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AMERICAN NEWS

Mexico's population statistics under fire

By Richard Johns
in Mexico City

MEXICO'S latest population figures have come under fire from opposition parties of both the right and the left which are alleging that the total has been changed for political and economic reasons.

The main charge from the conservative National Action Party, the Party of the Democratic Revolution and the Popular Socialist Party, was that the total population figure had been reduced to give a better image of the Mexican economy, especially in terms of per capita income.

Mexico's population had reached 81.5m in the first quarter of 1990, or 22 per cent over the level calculated 10 years earlier, according to the preliminary results of the census held from March 6-12.

The figure is very much lower than most estimates made by experts, who reckoned that the number of Mexicans had grown to at least 85m and perhaps even 90m.

At the time of the exercise, costing the equivalent of \$110m and carried out by some 650,000 students, questions were raised as to how thorough it was.

There were reports that head-counters receiving no response from dwellings did not return to them.

Nevertheless, the census carried out by the National Institute of Statistics, Geography and Information (INEGI), which is an appendage of the Ministry of Planning and the Budget, showed that the population doubled in the past 25 years to become the 11th largest in the world.

The rate of growth indicated by the preliminary results during the past decade is 2.3 per cent compared with one of 2.9 per cent in the 1970-80 period.

Currently, the Government reckons the rate to have fallen to about 2 per cent.

The 1983-84 National Population Plan presented by the Administration of President Carlos Salinas de Gortari in February set the target of reducing it to one per cent by the year 2000.

Apart from the overall total, the biggest surprise was the low figure given for the greater metropolitan area of Mexico City, which has been put at 9.8m for the Federal District.

The greater metropolitan area, which spills over mainly into the State of Mexico but also those of Morelos and Hidalgo, was reckoned to have a population of 15m, giving it a greater density than Hong Kong or Singapore.

Estimates of the conurbation have generally been in the 18m-22m range.

Consultants Wharton Econometrics estimate that the 4.3m Mexicans, or 13.6 per cent of the 31.5m economically active population, are unemployed.

Sect's crusade against 'corruption' will leave its scars

A government plan to build a monument to honour a civil servant, and a court ruling last week on land ownership were among the seemingly innocuous factors which led to the botched and bloody attempt by Moslems to take over Trinidad and Tobago.

Mr Abu Bakr, a former police officer in his early 40s who started the commune 10 years ago, speaks of having acted for the "moral cleansing" of Trinidad and Tobago, which he claimed had been overrun by corruption, racism and poverty.

Mr Arthur Robinson, the Prime Minister and object of Mr Abu Bakr's anger, last week proposed in parliament the erection of a monument, costing TT\$500,000 (US\$17,000), to honour a late civil servant who stood against corruption by former government officials.

"Is this the kind of society we want to continue to live in?" asked Mr Abu Bakr on Friday night after staging the attempted coup. "There is no medicine in the hospitals and the prime minister allocates half a million dollars for a concrete monument."

Earlier this year the sect received a gift of pharmaceuticals from abroad, but the shipment was seized by the Government. It was later handed over to the group which became incensed, not at the

seizure but at a government refusal to accept it for use in the public health service.

A further setback for the sect came last week with a court ruling that land they had been occupying outside Port of Spain, the capital, belonged to the Government.

There have also been frequent confrontations between the police and Mr Abu Bakr's followers over narcotics. The police claimed to have found drugs on the sect's premises, but the Moslems countered that the narcotics were seized from traffickers and users during their own efforts to curb abuse.

While there is little to support the Moslem's claim that the attempted coup had national support, it set off a train of events which will leave deep political and economic

scars on the English-speaking Caribbean republic.

Most Trinidadians have only distant memories of the last coup, staged unsuccessfully 20 years ago by Black Power militants.

In 1979 the Government in

Trinidad, Trinidad and Tobago's neighbour, was overthrown by leftists, setting off a chain which led to an American military invasion four years later.

With these events in mind, some regional leaders, meeting in Kingston this week for the annual summit of the Caribbean Community, are suggesting greater co-operation in security matters and the possible creation of a strike force to protect elected governments.

Although Mr Abu Bakr may not have anything like the level of support which he claims, many Trinidadians were unhappy about Mr Robinson's handling of the country.

He took office in 1986 at the

head of a coalition which

scored a handsome electoral

victory to end three decades of

government by a single party.

But he inherited an economy shattered by a slump in the oil price, on which the country depends for more than two-thirds of its revenues. Despite

structural adjustment pacts

with the International Monetary Fund, economic austerity

and currency devaluations, backed by other multilateral and bilateral financial help, the economy has been performing only marginally better.

Recent public opinion polls suggest the administration is losing support just over a year before an election is due.

Trinidadians are hardly likely to forget Mr Abu Bakr quickly. But when the insurrection started many did not take it seriously.

On Friday evening, while the Moslems were holding a gun to the head of the nation, several thousand Trinidadians went to their national stadium to cheer their team in the play-offs for the regional soccer championship.

In the event, Trinidad and Jamaica played to a

goalless draw.

Rise in US consumer spending breaks trend

By Anthony Harris
in Washington

A RISE of 1 per cent in US consumer spending in June broke the sluggish trend established earlier in 1990. Nominal spending had risen less than 1.8 per cent in the first five months of the year, according to the newly revised figures, representing a falling trend in real terms.

The recovery appears temporary, however. It is mainly due to a 2 per cent rise in the purchase of durables, reflecting a surge in car sales towards the end of the month as buyers cashed in on expiring discounts and incentives.

Personal incomes, meanwhile, rose only 0.4 per cent after 0.3 per cent in each of the previous two months. This marks a slowdown in income growth, which was 6.1 per cent in the year to June.

All these figures are somewhat lower than expected before the annual revision, in line with the sluggish GNP figures published on Friday.

Ontario sets election date

MR David Peterson, Ontario's Premier, yesterday called an election for September 6 to capitalise on the strong popularity of his Liberal government, writes Bernard Simon from Toronto.

Although the Liberals are only three years into their five-year term, Mr Peterson is anxious to go to the polls before his government's popularity is eroded by a deteriorating economy and by other looming contentious issues, such as Sunday shopping and planned reforms of the motor insurance industry.

The timing of the election, during the height of the summer holidays, is designed to ensure as little public interest as possible. The Liberals hold 93 seats in the provincial legislature, with the left-leaning New Democratic Party holding 19 and the Conservatives 17. Recent opinion polls indicate that the Liberals will easily win another majority.

IMF backs deal for Honduras

The International Monetary Fund has approved a stand-by arrangement for the Government of Honduras, authorising purchases of up to the equivalent of Special Drawing Rights (SDR) 30.5m, or about \$41m (22.5m) over the next 12 months. This is in support of the government's economic and financial programme, AP reports from Washington.

Honduras' quota in the IMF is SDR 67.8m, or about \$92m. Its outstanding financial obligations from past operations and transaction currently total SDR 3.02m, or about \$4m.

Frictions leave common market an elusive target

The Caribbean Community searches for an economic and political identity, writes Canute James

WHEN the leaders of the Caribbean Community (Caricom) begin their annual summit in Jamaica this week, they will have an unscheduled item at the top of their agenda. The attempted coup at the weekend in Trinidad and Tobago, a community member, has left some leaders suggesting that greater thought be given to regional co-operation on security matters.

The ideas being debated range from a security treaty, under which Caricom members would be bound to use national armies to assist elected governments which are threatened, to the establishment of a multinational "strike-force" made up of troops from regional armies.

But despite the distraction of the developments in Trinidad and Tobago and the introduction of regional security matters on to the agenda, the summit's focus will be on pressing economic issues.

Like many of his colleagues, Mr John Compton, the Prime Minister of St Lucia, is concerned at the apparent lack of change in the region's economic development.



"We seem still to be doing the twist, a dance of the 1960s," Mr Compton claims. "There is a lot of movement, without any visible progress."

Since it was launched in 1973 the community, made up of the English-speaking islands of the region along with Belize in central America and Guyana in south America, has struggled unsuccessfully to create an economic union.

The effort has been bedevilled by frequent trade rows between some members, the imposition of quantitative and qualitative trade barriers to protect national economies and

parochial concerns about larger members gaining more from the changes.

At this week's meeting, the Caricom leaders will review the progress they are making towards meeting the new target of 1993 for the establishment of a common market. By all indications they will not be happy. Battle lines have already been drawn.

The smaller members of the eastern Caribbean have objected to the speed at which Caricom is moving to establish a common external tariff for imports from third countries.

At last year's summit in

Grenada the leaders agreed that the new tariff structure should be implemented by next January. Now there is no sign of unanimity.

The proposed structure promises low rates of duty on imports which do not compete with goods produced within the community, but sets high rates on any imports which are likely to injure domestic industry.

Rates differ where the imports are raw materials or finished products, and agricultural products will be given protection while inputs for agriculture will be subject to very low tariffs.

The new measures, if implemented, will streamline the three different tariff structures in the community.

"There is need for the common external tariff to stimulate production in the community," argued Mr Hayden Blades, director of Trade and Agriculture for the Caricom secretariat. "But the tariff structure must not encourage inefficient production."

Trade ministers from seven community members in the eastern Caribbean concluded

recently that the deadline for the implementation of the common tariff was unacceptable.

Mr Hugh Marshall, Trade Minister of Antigua, contended that the new tariff would cause an "unnecessary increase in the cost of living" for the people of his country.

Mr David Coore, Jamaica's Trade Minister, said his country and several others would not accept any delay in the implementation of the new tariff, as this was already over.

Resolution of the problem at the summit is needed if the next target in the move towards a common market - the dismantling of remaining barriers to intra-community trade by next June - can be achieved.

The new row threatens progress on several other issues which the summit will discuss. Efforts to increase the level of trade among Caricom members have met with only moderate success.

In 1981, intra-community trade was valued at US\$935.3m, but fell to \$439.4m in 1986. Trade recovered to \$588.8m in 1988 and reached \$509.4m in

the first three quarters of last year.

Financing trade has been a problem for the community since the collapse of a multilateral payments facility four years ago after it reached its ceiling of \$100m, with Guyana owing more than \$90m. Efforts to find an alternative were unsuccessful and the summit will again look at the possible reopening of the multilateral facility.

The establishment of a regional capital market is less problematic. Finance ministers

have agreed that this will start with the cross listing of companies on Caricom's three stock markets in Trinidad and Tobago, Barbados and Jamaica.

The summit follows frequent

statements by Caribbean political and business leaders that the region has to unite economically to survive global changes, especially as Caricom had a market of only 5.5m people.

"This region cannot remain as a loose collection of small, weak, isolated economies if it is to survive," argued a Barbadian finance ministry official.

Hurricane Bertha travels north

BERTHA, the first hurricane of the 1990 Atlantic season, churned along the Gulf Stream well east of the US coastline yesterday after regaining strength temporarily lost during the night, AP reports from Miami.

Born as a tropical depression off north-east Florida, Bertha grew quickly on Saturday into a hurricane with winds of 75 miles per hour (120km/h).

The storm was moving

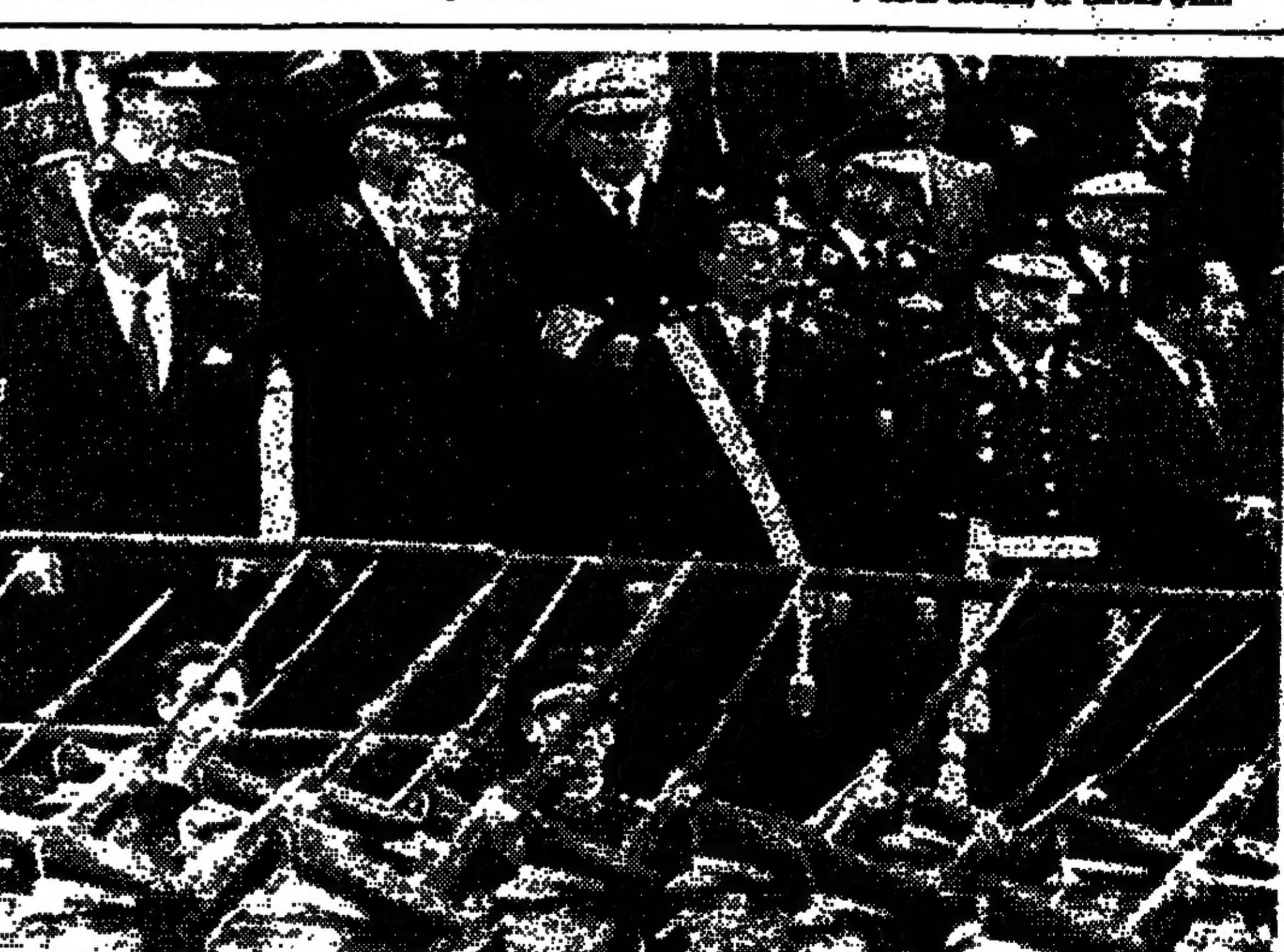
north-east at nearly 13 miles per hour and was expected to stay at the same strength.

Earlier, Bertha kicked up the surf along Carolina beaches and sent gusts of up to 45 miles per hour towards Bermuda.

But forecasters said that because it was already edging northeast towards the open Atlantic when it was born, it was never much of a threat.

"It's mainly a concern to marine interests," forecaster Hal Gerrish of the National Hurricane Center said.

He said Bertha could reach the Canadian provinces of Nova Scotia and Newfoundland by mid-week.



Fujimori (front centre) reviews a military parade; he has downplayed the removals

Thousands still affected by Chicago black-out

By Barbara Durr in Chicago

A BLACK-OUT continued to affect tens of thousands of Chicago residents yesterday following a fire at an electricity company transformer on Saturday night.

Three members of one family died when candles, used to light their home, set it alight, and 49 arrests were made after sporadic looting.

The blacked-out area was a 14-square-mile patch of the west side of Chicago, a mostly poor section. The cause of the fire at the Commonwealth Edison electricity company is unknown.

Power was restored on Sunday to about 15,000 of the homes and businesses that were plunged into darkness on Saturday.

But some 25,000 customers were still without power and could remain without it for another two to three days.

Fujimori dismisses top military chiefs in first presidential act

By Sally Bowen in Lima

THE FIRST act of Mr Alberto Fujimori after being sworn in as Peru's new President on Saturday was to remove the head of the Joint Chiefs of Staff, who is also in charge of the navy, and the head of the air force.

Admiral Alfonso Panizo and Air Force General German Vucetic were caught unaware by their transfer to other posts. It is unprecedented for such high-ranking officers to be removed at the start of a government, midway through the armed services appointments year. Both Admiral Panizo and several retired generals have demanded an official explanation.

At his first presidential press conference on Sunday afternoon Mr Fujimori was pressed on the removals. He down-

played their importance and denied allegations of disquiet in the armed services, finally closing the matter by saying: "The President does not have to give any explanation whatsoever."

Mr Fujimori vowed in his inaugural address to end corruption in high places, including the administration of justice, and human rights abuses.

Mr Fujimori's Defence Minister, Army General Jorge Torres, informed the two men of their dismissals on Saturday night, only hours after Mr Fujimori took office from outgoing president Alan Garcia, a spokesman said.

"These changes are not normal, but they were decided by the new government," a defence ministry spokesman said.

At his first presidential press conference on Sunday afternoon Mr Fujimori was pressed on the removals. He down-

played their importance and denied allegations of disquiet in the armed services, finally

Rise in consumer spending breaks 'core rules' published

Financial services 'core rules' published

By Richard Waters

THE simplification of the UK's confusing and complex regulatory regime for financial services business moved an important step closer yesterday with the publication of the main draft of rules which will apply to all financial businesses.

The 40 so-called "core rules", published by the Securities and Investments Board, are the backbone of a new system to replace the much-criticised rule books introduced to implement the 1986 Financial Services Act.

The complexities of the present rules have brought frequent complaints from the financial community.

Mr David Walker, chairman of the SIB, made it one of his first tasks to attack the regulatory complexities and lack of accessibility when he took office two years ago.

Yesterday he said: "We do have a problem with regulatory fatigue at the moment. The fact is, transition (to the simpler rules) will involve costs, though at the end of the day it will make for more cost-effective regulation than the present encyclopedias."

Although the redesigned rule books were originally intended to come into force this summer, they are unlikely to do so the light of day for some time yet.

The Securities Association yesterday became the first of the five self-regulating organisations to publish proposals for detailed "third tier" rules, based on the SIB's core rules, to apply to its own members.

However, it said that the new rules would not come into force until next year. Delays in the production of the core rules, and in clarification from the Department of Trade and Industry, have made it impossible to finalise the detail, it said.

The 40 proposed rules are expected to apply across the financial services world.

Comments on the proposals must be made by October 19.

• The Proposed Core Rules on Conduct of Business, SIB, 3 Royal Exchange Buildings, London, EC3V 3NL, £10. Lex, Page 22

Safety on Channel tunnel criticised as death toll rises

By Lisa Wood, Labour Staff

SHARP criticism of safety procedures on the Channel tunnel consortium came yesterday from Britain's Health and Safety Executive as it opened an investigation into the ninth death on the project.

The executive said that Transmanche-Link, the contractor building the rail link between Britain and France, had still "not yet got right the management of safety on this enterprise."

The seventh death on the British side of the tunnel occurred on Sunday night, less than three weeks after TML agreed a plan of action to improve safety.

Mr Charles McCourt, aged 45, was an experienced underground electrician who died while attempting to repair a damaged cable in the service tunnel.

Work on the marine service tunnel stopped yesterday while the executive's inspectors and safety crews from TML investigated the accident.

The results of the post mortem examination have not yet been published, but the safety

executive said Mr McCourt appeared to have been electrocuted.

The accident was the seventh fatality among employees of Translink Joint Venture, the British half of TML.

One prosecution is pending against the consortium, following the death of Mr Garry Woodward in 1989. The case is due to be heard in September.

Translink Joint Venture is currently implementing the findings of a safety audit conducted by the safety executive's accident prevention unit.

The audit said that in some areas of safety management the standards were good. However, some were less good, indicating an underlying weakness in safety management, particularly in leadership and administration. This gave rise to an inadequate safety culture.

TML said yesterday that it could make no comment on Mr McCourt's death until the investigation was completed. The consortium expected work to resume on the marine service tunnel today.

Mr Tony Linehan, the safety

Coloroll receivers sell Kosset Carpets to management team

By Alice Rawsthorn

THE receivers of Coloroll, the consumer products group which collapsed last month, have sold Kosset Carpets, one of the largest Coloroll companies, to its management in a buy-out.

Kosset, which is one of the leading players in the UK carpet industry, employs around 700 people at Bradford in west Yorkshire. The senior management team has taken control of the company in a deal worth around £17m.

The sale of Kosset comes less than a week after the disposal of Denby, one of Coloroll's ceramics companies, to another management buy-out.

The only other Coloroll subsidiary to have been sold is Royal Winton, a small giftware company, which was bought three weeks ago by a third party.

Ernst & Young, which was appointed as receiver in early June, has closed the Coloroll furniture company. Mr Bill Roberts, one of the joint administrative receivers, said he was "hopeful" about the prospect of finding buyers for the remaining subsidiaries.

He said Ernst was "in various stages of negotiation" over the sale of the other companies with both management teams and third parties. In the meantime all the subsidiaries are continuing to trade.

Last week Ernst announced 100 redundancies at Crosley Carpets, Coloroll's other carpet company at Kidderminster in the Western England. Before the Crosley job losses Ernst had already made more than 1,200 people redundant across the Coloroll group.

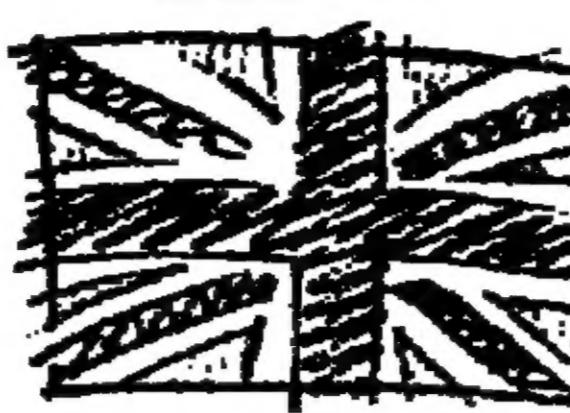
The Kosset buy-out means the receivers have sold off one of the largest parts of Coloroll. Kosset has annual sales of around £50m.

Coloroll bought Kosset two years ago in its ill-fated acquisition of the John Crowther textile group. At the same time Coloroll acquired Crosley Carpets and a group of carpet yarn spinning mills.

Mr John Parker, who was brought into Kosset as managing director shortly after the Coloroll takeover, said the business had recently returned to profit after years of losses.

The Kosset management buy-out includes an equity package from Phildrew Ventures, the venture capital company linked to Union Bank of Switzerland, and a debt package from Bank of Scotland.

BRITAIN IN BRIEF



ERM entry conditions proposed

UK entry into the EC exchange rate mechanism (ERM) should be accompanied by a devaluation of 15-20 per cent and heavy investment in manufacturing industry, the Institute for Public Policy Research said yesterday.

It also called for higher taxes and re-introduction of an incomes policy to ensure a shift of resources away from consumption towards investment.

Without such drastic measures "entry into the ERM at the present high exchange rate would institutionalise Britain's lack of competitiveness with disastrous long term consequences" the left-wing think-tank argued yesterday in a study entitled "Britain's economic problems and policies in the 1990's".

After 11 years of slow overall growth during the Thatcher years the study argued that drastic policy changes were needed to tackle a balance of payments deficit equivalent to 4.5 per cent of GDP and what it called a "dangerously ill-structured" growth in personal consumption and investment.

Ulster tourism in £32m boost

Tourism in Northern Ireland yesterday received a £32m boost from the European Community.

A large part of the European Regional Development Fund money will be used to help public bodies create attractions unique to the province and enhance the best of the region's existing attractions.

The private sector is being encouraged to invest in tourism in specific areas

where Northern Ireland has a natural advantage, such as activity based tourism, including angling, golf, horse riding, field sports and the development of the region's cultural and industrial heritage.

Tourism employs around 9,000 in the province and is worth more than £100m a year to the local economy.

Slaughter and May top table

City solicitors Slaughter and May has emerged as the leading firm of legal advisers on UK public takeovers during the first six months of 1990.

In a league table produced by the magazine *Acquisitions* monthly ranking lawyers by the total value of takeovers in which they were involved, either as legal advisers or one of the main partners to the deal, Slaughter and May came top by being involved in 21 deals with a combined value of £1.93bn.

Freshfields came a close second with 22 deals worth a total of £1.85bn and Norton Rose third with 10 deals worth £1.65bn.

The figures for the first six months of this year are well down on the same period last year.

From January to June 1989 the top ten UK law firms acted as advisers to the main parties in 103 UK public takeovers worth £2.25bn. The comparative figures for the first six months of this year are 95 deals worth £2.89bn.

Fund managers see rate rise

A survey of City fund managers shows that they expect longer-term interest rates to rise over the next few months than in 1989.

The survey, carried out earlier this month by Gellup for Smith New Court, the market maker, was answered by 76 fund managers responsible for almost £300bn of assets.

The fund managers expected medium-dated gilt yields to rise slightly from around 11.5 per cent to 12 per cent within the next three months.

Over the next year, however, the expectation was that yields would drop to 10.5 per cent.

Some 55 per cent of the managers' assets were held in UK equities at time of the

survey, and they expected to increase their exposure on balance.

European and Japanese equities were also the subject of buying intentions, but the managers expected, overall, to reduce their exposure to US equities and UK gilts. They also expected to remain down to 11 per cent of assets.

Over the next year the fund managers expected sterling to remain relatively stable against both the D-Mark (falling to DM 2.87) and the dollar (falling to \$1.75). The rate of growth of earnings per share for quoted UK companies was forecast to rise from 4.5 per cent in 1990 to 5.1 per cent in 1991.

A full hearing is expected before the end of August.

New technology college to open

The Government yesterday approved the creation of another City Technology College, this time in Wandsworth, South London, bringing the number of the controversial institutions to 14.

Three of the high-technology schools for inner city children are in operation with another four set to open in September. The Wandsworth CTC is one of seven scheduled to open in September 1991.

ADT Group, the lead industry sponsor of the CTC, said it had not yet raised the requisite funds for seed capital from private sources, though the company believes it will do so in time for the school's opening.

NUM merger finances poor

The National Union of Mineworkers will have little to offer financially to any prospective merger partner, according to an analysis of the union's wealth carried out by researchers at the London Business School.

The NUM has been in merger talks with the TGWU general union, although negotiations have been at a standstill while the present controversy surrounding the use of funds during the 1984-85 miners' strike continues.

The dispute could have cost the union £20m, most of which would have been made up of foregone contribution income rather than legal costs, according to the research.

Although little was spent on pay to strikers, the costs of running the union and organising the dispute also amounted to "many millions".



Chris Patten

Patten wins poll tax ruling

The High Court yesterday granted Mr Chris Patten, Environment Secretary, an

We gave him the vital seconds it took to save her life

Rolf Blum, a Wuppertal fireman, knows that life and death are just seconds apart. When fire can kill within a few breaths, anything which gives him a little extra time is vital.

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Better things for better living

★★★ Rolf Blum, who rescued a 3 year old girl from a blazing house.



UK NEWS

Maxwell prepares to float Mirror Group Newspapers

By Raymond Snoddy

MR Robert Maxwell, publisher of Mirror Group Newspapers, is once again seriously considering an early flotation for the national newspaper group.

MGN, as a private company, has been used as the acquisition vehicle for Mr Maxwell's growing newspaper interests everywhere from eastern Europe to the US.

This week he is expected to travel to Turkey for the final round of negotiations for the purchase of a large stake, possibly even a majority stake in Hurriyet, the country's largest daily newspaper.

In preparation for a flotation of MGN which could come later this year Mr Maxwell ordered a detailed valuation of the group which includes the Daily Mirror, Sunday Mirror, People and Scottish Daily Record from consultants Coopers Deloitte.

The consultants in a valuation delivered to Mr Maxwell within the past few days are believed to have valued MGN Newspapers at between £500m and £600m.

Mr Maxwell bought the business from Reed International for £113.4m in July 1984.

Mr Maxwell first made his intention to float MGN clear in 1987 but he has never finally committed himself to a final



Maxwell: negotiations

date although there have been numerous conversations with stockbrokers.

At one time Mr Maxwell was divided between flotation and a sale to his quoted company Maxwell Communication Corporation.

Last December he unexpectedly announced plans for a management buy-out at The People, the popular Sunday which to some extent competes with the Sunday Mirror.

As a result Mr Maxwell said the flotation of the group would have to be postponed until 1991.

Associated Aerospace to buy 50 Romanian jets in £1bn contract

By Paul Abrahams

ASSOCIATED Aerospace, a UK-based aircraft operating lease company, announced yesterday it is acquiring 50 aircraft from Interprinderea de Avioane Bucuresti, the Romanian aircraft manufacturer, as part of a \$1bn deal.

Under the contract, which has taken two years to negotiate, British Aerospace, Rolls-Royce, Dornier and the AIM Group will supply components and technical support for the project for the medium-short haul 1-11 jets based on BAE's design.

Rolls Royce said last night it will be providing Tay 650 engines for the aircraft worth

about £125m. The contract covers an option for a further 50 1-11 jets in a programme that will run for at least eight years.

Production is planned to reach 10 or more aircraft a year by 1994. The first jet is scheduled for delivery for the end of next year.

BAE 1-11 aircraft are already manufactured at the Banesti manufacturing complex near Bucharest after a technology transfer deal with BAE in 1978. However financing problems have limited production to one jet a year. These were supplied to Tarom, the Romanian national flag-carrier which has

leased them to western air lines.

Associated Aerospace, which is based in Hartley Wintney in Hampshire, refused to give details of its funding or possible customers for the aircraft.

Sir Geoffrey Pattie, MP, chairman of Associated Aerospace, said: "The rapid changes in the political situation across Europe are opening up many new opportunities for trade."

"Associated Aerospace will benefit from the resources and experience of Romania's aircraft manufacturing industry and Romania from the investment of a British company," he said.

Terrorists use publicity as a motive

SOMETIMES THE IRA is indiscriminate. Sometimes it selects its target. The murder of Mr Ian Gow was one of his consistent themes during his political career.

Mr Gow was murdered because he was outspoken on Irish affairs and because he was a close friend of Mrs Thatcher.

The notion that such murders might contribute to a withdrawal of British troops from Northern Ireland and Irish unity cannot really be taken seriously, even by the IRA. After years of such bombings there is no sign of a "Troop Out" movement growing in the mainland.

There is no evidence that the attacks increase support for the IRA's cause. Sinn Fein, the IRA's political wing, has only about 10 per cent of the local vote in Northern Ireland and is under increased political pressure in many areas.

The IRA campaign seems bereft of a purpose other than publicity. The irony is that as the IRA appears to widen its campaign the process of finding a way forward in Northern Ireland is being pursued more actively than ever before.

The recent political initiative by Mr Peter Brooke, the Northern Ireland Secretary, might have run into problems, but the fact that the constitutional parties are actually discussing holding talks is no mean achievement.

The IRA is being marginalised. Its nationalism seems outdated in an Ireland increasingly conscious of its position in the European Community.

Editorial Comment, Page 20

OBITUARY

Convictions cost a politician his life

By Alison Smith

THE POLITICAL future of Northern Ireland was never far from the parliamentary career of Mr Ian Gow. It was one of his consistent themes during his political career.

Though his ministerial postings and his backbench campaigning in opposition in the 1970s led him into a variety of other areas, his resignation from the Government over the signing of the Anglo-Irish Agreement in November 1985 which gave the Republic of Ireland some say in Northern Ireland affairs, indicated his strong opinion on the subject.

After his return to the backbenches in the Commons, he joined the Public Accounts Committee, the parliamentary financial watchdog, and in November last year was chosen for the task of speaking first in the debate which opened the current parliamentary session. Ironically, that made him the first MP to make a televised speech in the Commons, despite opposing the introduction of the cameras.

Born in 1937, Mr Gow was educated at Winchester. He carried out his National Service with the Hussars and saw service in Malaya. After national service, he qualified as a solicitor.

After losing two by-elections, he entered the Commons in 1974, after having been selected for the Tory constituency of Eastbourne, and established himself as an effective MP.

In 1976 he became secretary to the Tory backbench Northern Ireland committee, before being co-opted on to the frontbench team led by Mr Airey Neave, then opposition spokesman on Northern Ireland. Mr Neave was killed by the IRA early in 1979.

He achieved office as the first of Mrs Thatcher's parliamentary private secretaries.

Constantly in the Downing Street offices, his activities as liaison officer-cum-bag-carrier earned him the nickname "Supergrass" but led to a very close relationship with the Prime Minister.

In the 1983 parliament he was rewarded with the post of housing minister at the department of the environment. His



Ian Gow in Belfast where he supported politicians fighting the Anglo Irish Agreement

responsibilities in the department also included the water industry and he was the first minister to hint that the industry might be privatised.

In the September reshuffle that same year, he became a Treasury minister, numbering among his responsibilities European Community finance.

But he had been there less than three months, when he resigned over the Agreement.

As a backbencher he developed a robust Commons persona, while remaining a staunch Thatcher supporter on all but Northern Ireland issues.

Mr Gow would have been remembered at Westminster for his contribution to the Northern Ireland debate, even had the manner of his death been different.

It was characteristic that in the first televised speech from the Commons last November, he restated the commitment not to give in to terrorism. "Terrorism flourishes where those who perpetrate it believe that one day terror will triumph. That is why all of us need to give no hint that it ever will."

Latest murder reflects problems in protecting targets

By John Mason

THE MURDER of Mr Ian Gow, chairman of the committee of Conservative MPs on Northern Ireland, illustrates the practical problems facing the police in providing effective protection to politicians considered to be potential terrorist targets.

The outspoken Tory MP, who supported the anti-republican stance of the protestant Unionist Party in Ulster, had been advised by police to take precautions following the appearance of his name on an

IRA "hit-list" of 100 potential targets found in a south London flat last year.

Mr Gow, however, was determined not to allow this warning to affect either his lifestyle or his intention to reaffirm his strong belief in the union between Northern Ireland and the rest of the UK.

The killing of Mr Airey Neave, the Conservative Northern Ireland spokesman in 1979, and the bombing of the Brighton Grand Hotel during the Tory party conference in 1984

prompted increases in security measures and underlined the need for personal vigilance.

But while security at both the Palace of Westminster and the party conferences has been tightened considerably, police are still faced with a major task providing day-to-day protection for individuals likely to be targets.

It is well-known that prominent ministers, such as those in the Northern Ireland Office, Foreign Office and Home Office, receive a high level of

protection of which round-the-clock personal bodyguards can be just one measure.

This protection continues

long after the politician has left office and is often provided for life. The level of protection is reviewed regularly in the light of the perceived threat

– and the individual's willingness to accept incursions into their privacy.

The demands on manpower

and other resources inevitably place a limit on the numbers

who can be offered such protection.

For some political figures, the police are only able to warn them about the potential risks and offer precautionary advice.

Mr Gow fell into this category. Despite his outspoken views about Northern Ireland, frequently repeated in the Commons, Mr Gow would have been left as the day-to-day judge of how to respond to a known terrorist threat to his own safety.

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FINANCIAL TIMES SURVEY

THE CHEMICAL INDUSTRY

Tuesday July 31 1990

The chemical industry, with an annual world output of about \$1,000bn, went through a boom in the late 1980s with quickly rising demand and prices for many of the diverse industry's products. The outlook for the 1990s, however is less bright, says Peter Marsh

Some positive chemistry

THE \$1,000bn-a-year world chemical industry, as it views the 1980s, is like a long-distance runner halfway around a circuit and pausing for breath.

The sector - which stands out among large manufacturing businesses both for its diversity and global spread - has been through sweeping changes over the past decade which have involved a change in emphasis in product strategy on the part of many of the leading companies.

Large amounts of capacity in many basic chemicals have been shed as much of the industry has attempted to concentrate on more specialised, relatively fast growing product areas such as paints, agrochemicals, pharmaceuticals and high-value plastics.

As for the next 10 years, the industry is still out on whether many of these so-called specialty areas of chemicals will be as big and as profitable for the leading players as they appear to hope. Apart from this there are key issues face the industry:

• Expansion outside the main industrialised regions. Many expect chemicals demand in less developed parts of the world, including Eastern Europe and the Pacific rim region, will take off in the next few years.

Chemicals demand per person in many nations in these areas is less than half the average in western Europe and the US. This figure looks likely to grow considerably.

Resulting from this thinking many large companies are planning large investments in research and manufacturing in the Far East during the 1990s.

• Environmental questions.

The chemicals sector, as well as being highly obtrusive physically, creates large quantities of waste products. Also many of the materials which it sells - whatever their general use in everyday life - have their environmental downside in terms of being difficult to dispose of or dangerous.

The industry is being hard-pressed by environmental groups to come up with new approaches to environmental issues and is devoting more time to this aspect of its business than ever before.

Many in the business are reasonably optimistic. Mr Jean-Rene Fourtou, chairman of Rhone-Poulenc, the biggest French chemicals group, says: "We (in the industry) still have to remember the progress has been huge. In the past 10 years we have reduced waste emissions considerably from our factories. In 10-15 years' time most big chemicals companies will be considered clean."

• Industrial restructuring. In much of the sector, particularly the US, the shape of the chemicals industry in fields

such as pharmaceuticals, defence, cars, packaging and construction. The chemicals sector has its most important components in the developed world, with western Europe, Japan and North America accounting for roughly 70 per cent of world chemicals production and consumption.

Substantial opportunities exist for less developed nations to play a part, particularly at the lower-technology end of the chemical industry. In areas such as fibres, basic oil-derived chemicals, bulk plastics and fertilisers, several developing countries have in the past 10 years built up substantial expertise and production capacity. These include Taiwan, Thailand, Korea, Malaysia, Singapore and India.

The chemicals business's product divisions are notoriously difficult to unravel. The

like commodity plastics and other bulk-product areas has changed significantly in recent years. That has happened as companies have tried to move into new higher-value sources or have swooped businesses between them.

One example is the recent \$1bn deal in which Rhone-Poulenc and Rorer, a medium-sized US pharmaceuticals company, agreed to combine their worldwide drugs operations. Another was the \$1bn takeover by Bayer of the rubber operations of Nova, a Canadian chemicals producer.

Some believe this trend to swap operations will ultimately spread to Europe. Mr Adam Hitt, an investment banker at Morgan Stanley, the New York bank, says: "I think we will see more restructuring (in the industry) in Europe."

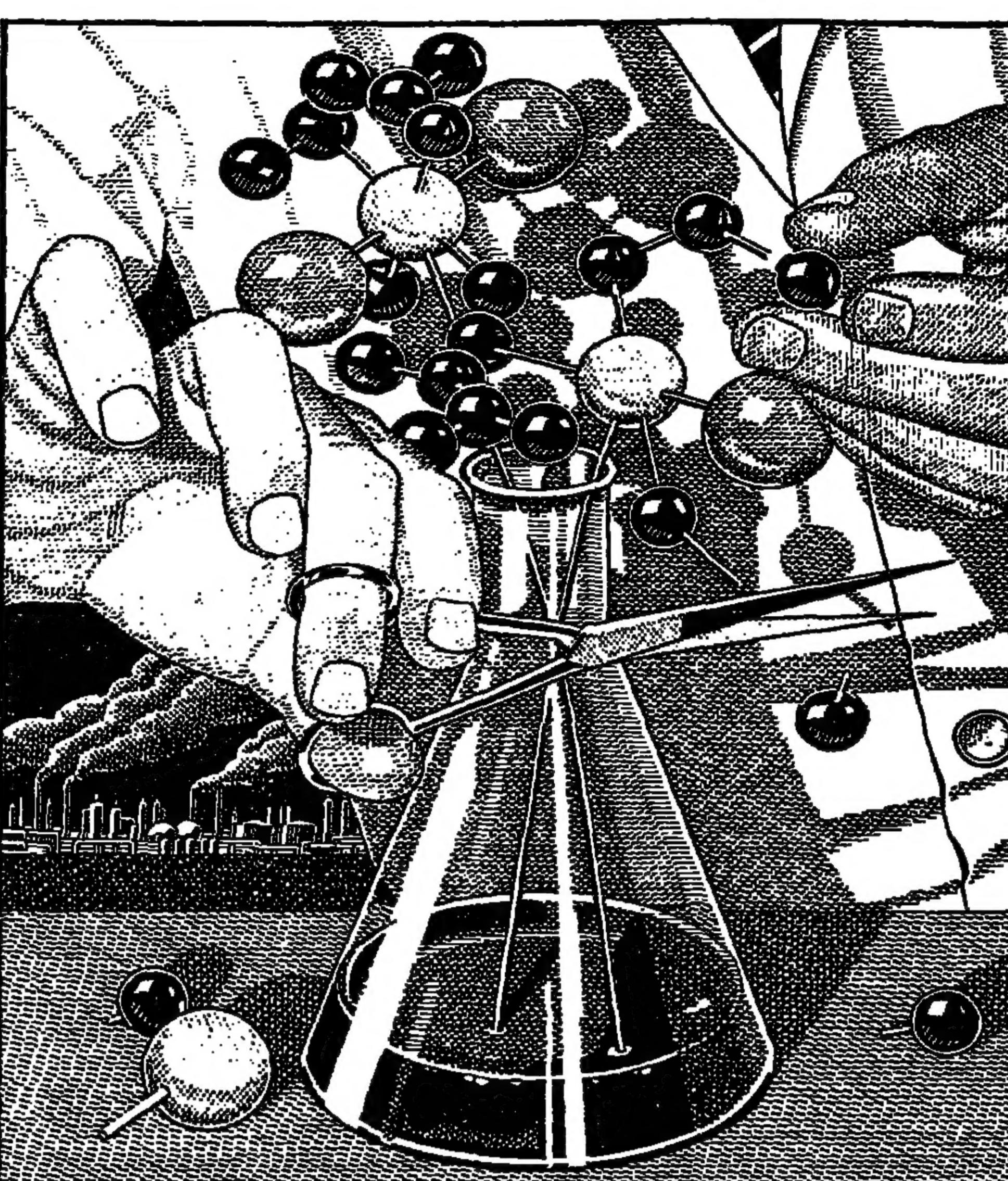
The chemicals sector is more widespread than many other industries as a result of its hundreds of broad product categories and the large numbers of raw materials for the business - which can come broadly from fossil-fuel sources such as oil or gas, or other commodities found naturally, such as sulphur, chlorine compounds and metal salts.

It typically sells roughly half its turnover to other manufacturing businesses rather than the consumer directly. These commercial areas include other sections of the chemicals industry itself; the sector trades between different arms to a greater extent than probably any other business.

Other important customer industries include electrical appliances, factory equipment, defence, cars, packaging and construction. The chemicals sector has its most important components in the developed world, with western Europe, Japan and North America accounting for roughly 70 per cent of world chemicals production and consumption.

Substantial opportunities exist for less developed nations to play a part, particularly at the lower-technology end of the chemical industry. In areas such as fibres, basic oil-derived chemicals, bulk plastics and fertilisers, several developing countries have in the past 10 years built up substantial expertise and production capacity. These include Taiwan, Thailand, Korea, Malaysia, Singapore and India.

The chemicals business's product divisions are notoriously difficult to unravel. The



sector includes a number of product areas akin to minerals extraction, for instance production of salt, titanium-dioxide refining, where selling prices are low. At the other extreme is the production of ultrafine, sophisticated chemicals, for use perhaps as the main ingredients for pharmaceuticals or agrochemicals, which require as many as 30 manufacturing steps and which may sell for several hundred thousand dollars (sometimes millions of dollars) a tonne.

In between these two extremes are large numbers of extremely common, basic chemicals where the selling prices are typically between \$500 and \$3,000 a tonne. Into this category come many of the best-used chemicals: building blocks, such as ethylene (an oil or natural gas-derived material used in production of most plastics), plastics themselves such as polyethylene, fibres, intermediates and many industrial chemicals such as solvents, polyurethanes and paints.

Several important product divisions of the chemicals industry exist more or less totally as service manufacturing operations for other parts of the same sector. In this category, for instance, come many petrochemical product areas (including ethylene) which

may be large industries in themselves but whose output is subsumed in making other "downstream" products.

The industry contains five main sectors:

• Petrochemicals. All are derived from the oil and natural gas which constitutes the most important basic feedstock for chemicals generally. They are mostly produced at high volumes and at low prices and most of the substances in this category are used as building block chemicals to make other synthetic materials.

• Plastics. This adds up to a \$130bn a year industry in its own right, although sometimes it is categorised under petro-

chemicals. World sales of plastics in 1989 amounted to about 90m tonnes, 75 per cent of which is accounted for by the four large selling plastics - polyethylene, polystyrene, polypropylene and polyvinyl chloride (PVC). Another important component of the plastics industry is the high-value, specialty sector known as engineering plastics. This area includes materials such as polycarbonate and acrylonitrile butadiene styrene (ABS) which have especially tough or heat resistant properties.

• Inorganic bulk materials.

These are high-volume substances which do not contain carbon atoms. These substances may well come from starting blocks which are other than carbon-based fossil-fuel derived chemicals such as oil and gas. Among the biggest selling products in this area of the chemicals industry are chlorine, sodium hydroxide, sodium carbonate (caustic soda), titanium dioxide and hydrogen peroxide.

• Fine chemicals. This is a group of materials which can be either organic (carbon containing) or inorganic. The main characteristic is that they are sold in small volumes and at high prices and use relatively sophisticated manufacturing routes.

Another factor is that, often, the properties of the chemical itself are highly specific - in other words its development has been tailored to do a particular job. Fine chemicals are used in parts of the chemicals industry, including the production of crop-protection compounds and specialised industrial materials.

• Pharmaceuticals. This is a \$130bn a year industry, 75 per cent of which is accounted for by sales within the developed countries of western Europe, North America and eastern Asia. About \$100bn of these sales are from prescription-only drugs; the rest from over-the-counter medicines.

The late 1980s have generally been extremely good for the chemicals business worldwide. The sector was in trouble in the early part of the decade, when demand was at a lower level than capacity for many parts of the industry and in most developed countries with large chemicals businesses.

As a result of this, prices for many chemicals products slid,

profits were low and the industry went through a period of restructuring in which capacities were cut and employment

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■ Western Europe: Development planning is like a highly charged poker game p2

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THE INDUSTRIES:

■ Titanium dioxide p2

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COMPANY DIVERSIFICATION PLANS

..... p5

reduced.

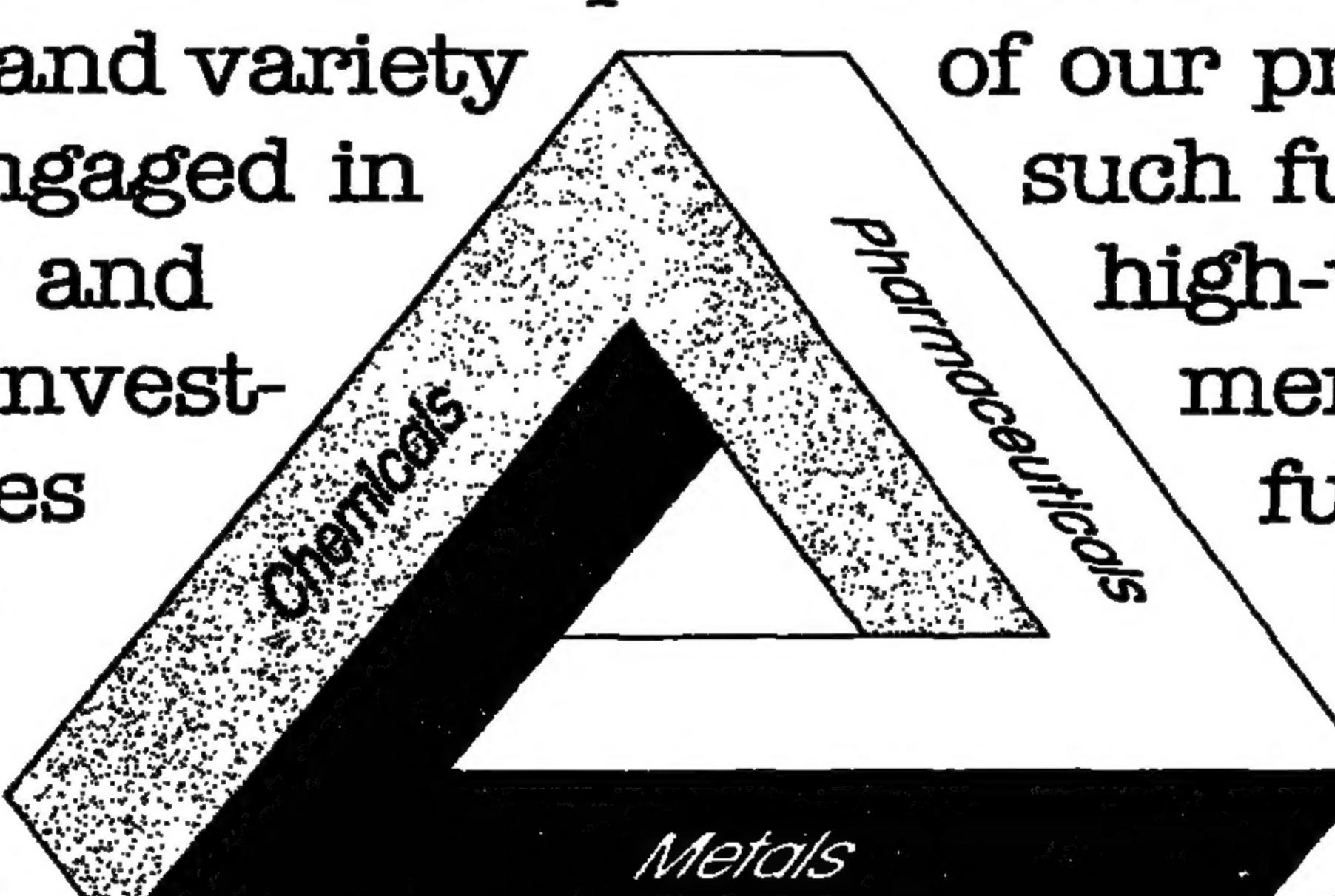
Since about 1986, the situation has improved in many parts of the world. Demand has improved in line with general economic expansion in much of the developed world. Prices, particularly for many of the low-value, high-volume basic petrochemicals, have increased.

The outlook for the early 1990s is difficult to judge. In 1989, the growth in demand slowed down in many developed nations. At the same time, increases of capacity, which had been sanctioned in the 1986-88 period as a result of the feeling of buoyancy in the industry, started to come on stream. That led to a falling away in the price rises and lower profits for many of the large chemicals companies.

During 1990-92, more capacity increases will come on stream in many parts of the industry. Demand expansion is likely to be less than for much of the 1986-88 period, due to a slowing down in the rate of economic growth worldwide. That will lead, so many observers believe, to a period of relative slowness for the industry, although most onlookers do not expect this to be anything like as severe as in the early 1980s, when the sector as a whole was in recession.

For the time being, the industry is gritting its teeth and hoping for the best.

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CHEMICAL INDUSTRY 2

Peter Marsh on development planning

A highly-charged poker game

INVESTMENT planning in the west European chemicals business at the moment resembles a highly charged game of poker. Throughout the industry, companies are announcing plans to spend large sums on new manufacturing projects.

Everyone knows some of these projects may never materialise; they are the chemicals equivalent of a poker player's bluff.

The machinations in the industry are of more than usual interest, as the west

Hoechst and BASF of West Germany and Britain's ICI – and employs 2m people.

Most of the announcements about new plants are made in good faith and are not deliberate attempts at deception. That some of them are unlikely to lead to anything in terms of construction is due to the underlying fear of overcapacity and its consequences that lies at the heart of the west European

chemicals business.

People in the business know that in many areas of chemicals the demand/supply balance, materials prices and company profits are inextricably linked. If there is a hint of too much of a specific chemical appearing on the market – that applies especially to bulk chemicals such as high volume plastics and industrial materials as like soda ash – then prices are likely to nosedive, and with them corporate earnings.

This explains why, in a number of key sectors in the European chemicals business, observers have learned to be wary of assuming, after a plant has been announced, that it

will actually be built. Often a company may be dissuaded from going ahead with a project because competitors have dived in and tipped the supply/demand balance too far towards possible product glut.

Alternatively, in the several years between announcement of a new plant and the start of construction, market conditions for the chemical in question have worsened, putting a question mark over all new production in this field.

Examples of this gap between rhetoric and reality in the west European industry include the following:

• DSM of the Netherlands and Idemitsu of Japan were all set to build a new plant in Holland for making polycarbonate, an important material in the

world's \$25bn a year engineer-

ing-plastics industry. Engineering plastics are relatively high value materials used in specialised applications in industries such as cars and aerospace. The Dutch/Japanese plan has just been shelved, partly because a number of other new European polycarbonate factories, run by companies such as Bayer and the US's Dow, are in the process of being built. There are fears these might push the industry into overproduction.

• Dow, along with a number of other leading companies, has announced schemes to study new sites in Europe for making ethylene, an important commodity in the chemicals industry which is made from oil or gas and which is the main feedstock for many large-selling plastics. Dow has

recently said that – rather than proceed with its own plant – it is to take some ethylene from a new cracker that BASF is to build at Antwerp in Belgium. This is no doubt to the relief of many of the other large ethylene producers, which feared that a new Dow plant could flood the market with the material.

• A number of European companies say they are going to proceed with new plants to make high-volume plastics such as polyethylene and polypropylene. According to Morgan Stanley, the US bank, production capacity in these materials in western Europe, on the basis of companies announced plant-building plans, is likely to rise by 15 and 40 per cent over the next three years. But few believe – no

matter how impressive chemicals demand turns out over the next few years – that the market for these materials will be good enough to support all these investment schemes. In other words, some companies will be forced to give up their aspirations and consign their expansion blueprints to the waste bin.

The signs of trepidation in the industry have come after the sector has enjoyed a good spell. Many of Europe's big chemicals companies have cushioned out remarkably successfully from the fierce recession which hit the sector in the mid 1980s. In the past few years profits and growth in the industry have been above average compared to other sectors.

And – in spite of warnings of gloom from the more pesar-

over the past five years by a series of acquisitions.

Even at the relatively high-volume end of the industry, many in the business are optimistic.

"People have been saying for some time that the demand for chemicals is dying down," says Mr Bryan Rigby, a managing director for BASF who is responsible for Britain, Eire and Scandinavia. "But the outlook is unexpectedly buoyant and better than any one expected."

Figures from CEPIC, the west European trade association for chemicals, indicate that overall growth in the industry this year will, however, be less than in previous years at 2.5 per cent compared to 3.6 per cent in 1989 and 6.7 per cent in 1988. Investment is holding up reasonably well and this year across western Europe is likely to be 2 per cent above the industry's record spending in 1989 of \$22bn. Exactly how the figures for investment turn out later in the 1990s will depend on the outcome of the chemical industry's poker game.

Many companies have targeted speciality chemicals as the main areas for expansion

"If we do see a recession it will have more effect at the petrochemical (commodity) end of the industry," says Mr Jean-René Fouroux, chairman of Rhône-Poulenc, the biggest French chemicals group which has moved much of its business into the speciality area

Peter Marsh on the titanium dioxide industry

Du Pont sets sights on Europe

IN the world's \$8bn-a-year titanium dioxide industry, all eyes are on Du Pont, the industry leader, which is expected to be weighing up its first moves in this material in Europe.

In the manufacture of titanium dioxide, a brilliant white inorganic substance used as an additive in paints, plastics, cosmetics and paper, Du Pont has carved its position through shrewd application of technology and marketing skills.

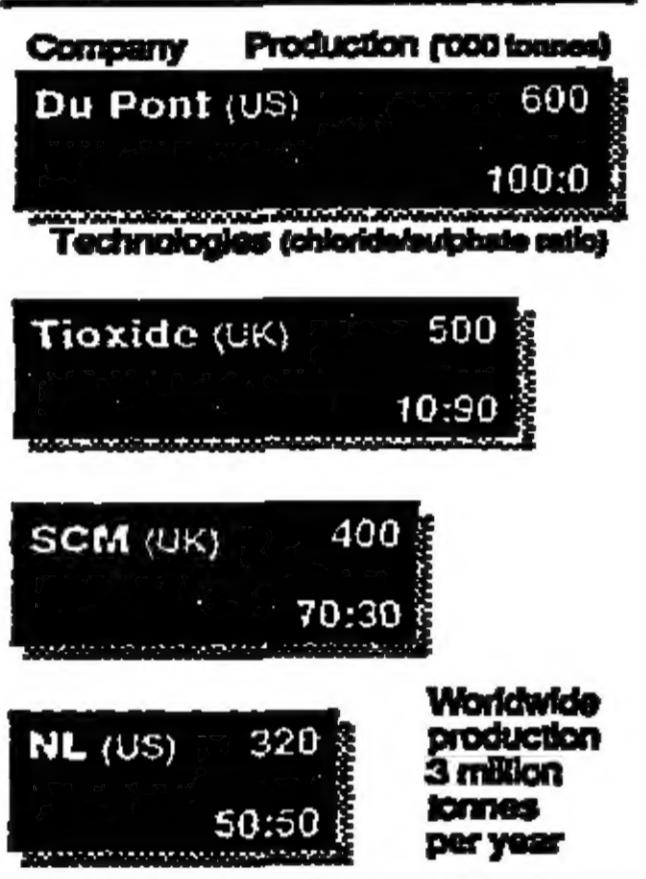
The company, the US's largest chemicals group, has a worldwide production capacity in titanium dioxide of 600,000 tonnes a year, roughly a fifth of global capacity.

Up to now all its plants have been either in North or South America or the Pacific Rim region.

The company is thought to be considering expansion opportunities in Europe, probably by the route of buying up existing operations and investing in new technologies in these sites.

Titanium dioxide is a good example of changing fashions in the world chemicals industry. A few years ago it was

Leaders in titanium dioxide production, 1989



written off as a boring commodity material. There was overcapacity in the industry and margins were low.

This led to several of the main operators quitting the business, improving the supply/demand equation and restoring prices.

About the same time

demand (particularly from paint makers) started to improve as a result of better world economic conditions, and the business was given a new lease of life.

Titanium dioxide is made by refining titanium-containing ores in a process that is highly environmentally obtrusive as it leads to large volumes of acidic waste products. Du Pont has a world lead in a specific set of reactions called the chloride process which makes titanium dioxide with considerably less waste than the rival procedure, called the sulphate process. This gives the chloride route the edge in any country where environmental matters are important, which these days mean everywhere.

Production of titanium dioxide has in recent years been a fast growing, profitable part of the chemicals industry. The field is dominated by just four producers, which have about 60 per cent of world capacity. They are Du Pont; Tioxide (UK), a joint venture between ICI and Cookson; SCM (a US-based company owned by Hanson of the UK); and NL, a US

company. The latter three all have large operations in Europe, and it is thought Du Pont may be talking to all of them about possibly taking over some of their existing plants.

Other European operators which might be willing to sell some capacity to Du Pont include Rhône-Poulenc of France and Bayer of West Germany.

Kemira of Finland is another

big European company in this material – it is the world's fifth biggest producer – but the state-owned company is thought unlikely to want to give up any of its capacity. It is believed to want to hang on to, and if possible increase, its stake in the titanium dioxide industry for long-term strategic reasons.

Traditional corporations seem worst off, writes Alan Friedman

Steep drops in profitability forecast for 1990

THE short-term outlook for the US chemicals industry is something of a mixed bag, with prospects for speciality companies and well diversified businesses looking far better than is the case for the traditional big basic chemicals corporations.

Analysts are forecasting an average 15 to 20 per cent decline in 1990 full-year earnings for many of the basic chemicals companies, and an even steeper drop in profitability for the more commodity-oriented producers such as Dow, Quantum, Union Carbide and Carbide.

The problems facing commodity-influenced companies – such as overcapacity and weak prices – are worldwide, but the big North American producers are all to a greater or lesser degree victims of the slowdown in the US economy. For example, two of the most important customers of chemicals companies are the automobile and housing markets, both of which are facing extremely lean times.

Ms Jane Belcher, an analyst at the Chicago-based Duff & Phelps, points out that the first six months of 1990 saw the peak in the current earnings cycle, while the downturn in earnings that is now under way could extend through part of 1991.

Like other chemicals industry watchers Ms Belcher says that the three companies most likely to suffer a drop in 1990 earnings are Dow, Quantum and Carbide.

She adds that additional polyethylene capacity is coming on line in the US industry, which is also expected to put pressure on pricing and margins for companies such as Dow and Carbide.

In New York, Mr Leonard Bogner of Prudential Bache predicts a 30 per cent fall in Dow's 1990 net income given that close to half of the company's revenues are commodity-based. Mr Bogner is expecting a 50 to 60 per cent slump in Quantum's earnings and a tumble of as much as 50 per cent for Union Carbide, which derives more than half its revenues from commodity-linked products.

Mr Theodore Semegran of Shearson Lehman Hutton says the Dow-Quantum-Carbide trio is facing

Analysts say companies such as American Cyanamid and Monsanto, which have diversified into health care and have shed some of the more marginal chemicals side earners, may well report an average 1990 earnings gain of 10 to 15 per cent.

Both these companies, how-

ever, to take several years.

On the brighter side it must be said that the US chemicals sector is one of the more globally diversified industries, with companies such as Dow, Monsanto and Du Pont deriving close to half their revenues from non-US markets.

World market problems notwithstanding, this is still something of a buyer for US companies whose European markets are not undergoing the same kind of sluggish growth as US manufacturing sectors that traditionally buy intermediate chemicals products.

In addition, specialty chemicals companies such as Morton International, Nalco and Betz are expected to do better than the industry average because of niche sectors such as the supply of chemicals for adhesives, electronics or even the waste water treatment sector.

"Anything that is an environmental play or tied to pollution

control is a better performer these days," says Ms Belcher of Duff & Phelps.

Du Pont is a special case in the US industry because the company has been undergoing a slow, but steady transformation in recent years aimed at more efficient and diversified profit generation. Du Pont, which is principally a downstream company, should benefit from lower commodity chemical prices as it is a buyer rather than a seller of these products.

Du Pont's first quarter performance – a 16 per cent decline in its net income to \$615m – was better than expected, although Mr Edgar Woolard, the chairman, said the company has "our work cut out for us" if it hopes to extend its four-year trend of steady earnings.

Mr Bogner, however, says that 1990 earnings per share estimates for Du Pont are being revised downward from the \$3.65 level to the \$3.40 to \$3.50 range against \$3.53 in 1989.

He attributes the lower

expectations to the weather-induced problems in agricultural chemicals and its soft demand and weak selling prices on the fibre side, which represents as much as a quarter of Du Pont earnings.

It may be small consolation for the US chemicals sector, but the current weakness in the market would have hit several companies far more harshly had it not been for the widespread restructuring exer-

cises undertaken during the 1980s.

A decade ago the commodity chemicals business was a more dominant feature of the US industry; the relative reduction of its importance as a proportion of revenues will almost certainly turn out to be a saving grace for some in the 1990s period.

World chemicals market (figures in \$bn)				
Region	Output	Exports	Imports	Home demand
W Europe	340	52	25	313
N America	275	33	22	264
Japan	150	20	15	185
E Europe	170	15	19	174
Central/S America	54	8	15	63
Far East	33	14	22	57
India/Pakistan	25	1	5	29
Africa	15	2	9	22
Middle East	12	5	10	7
Australasia	10	1	5	17
Total	1130	149	157	1138

Source: UK Chemical Industries Association

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ever, along with Du Pont and others, have also been experiencing problems in their agricultural chemicals divisions because of weather patterns in the US and Europe that have reduced sales.

Monsanto and Cyanamid are two companies that are also investing substantially in biotechnology research. In the case of the Missouri-based Monsanto, something like \$1bn has been spent over the past decade on plant, animal and human health science research.

This figure represents a significant gamble and the entire Monsanto effort is greeted with scepticism by Wall Street analysts.

All big chemical companies involved in the manufacture of pesticides are considering their options given the growing pressure from environmentalists and consumer groups to reduce or even eliminate the use of

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101 in 100

CHEMICAL INDUSTRY 3

The future of the global chemical industry could be settled in the markets of the Far East, writes Mike Ward

US, Europe head east — and find stiff competition

Petrochemical industry in developing countries

KOREA: Advanced market, high per capita consumption, high growth, large exports of end user products, ambitious expansion programme, lacks domestic feedstocks.

CHINA: Largest market in the region, but low per capita consumption. Largest importer of resins, high growth rate but growth is dependent on trade and currency restrictions and growth prospects are uncertain. Just finished an expansion programme, considerable new capacity under consideration.

THAILAND: New producer, small but fast growing market, moderate per capita consumption. Limited feedstock availability, relatively expensive gas fractions.

MALAYSIA: Yet to produce basic

CHEMICAL industry chiefs agree on one thing: future prosperity lies in the Asia-Pacific region. With forecasts that as much as 40 per cent of chemicals growth will come from this part of the globe, it is hardly surprising US and European chemical companies are heading eastwards.

Much to their dismay, it is becoming clear Western companies may not have things all their own way. Japanese chemical producers are already able to compete in the global marketplace, and the South Koreans are not far behind. Moreover, the rapidly expanding petrochemicals capacity in the region could prompt a worldwide return to the profitless days of overcapacity. Indeed, the future of the global chemical industry could be settled in the markets of the Far East.

Most Western chemical multinationals have established at

In 1988 Western companies based in Japan achieved sales exceeding \$13bn

least a sales presence in the highly lucrative Japanese market. Japan's Ministry of International Trade & Industry confirms that in 1988 Western companies based in Japan achieved sales exceeding \$13bn — about 9 per cent of the Japanese chemical industry's total shipments. In the past five years, Japan has seen a 27 per cent increase in the number of research centres established by Western chemical firms.

Japan is also seen as a springboard into the faster-growing markets of the region. Japanese petrochemicals production in 1988 reached an all-time high with double digit growth reported for key chemical building blocks such as ethylene and benzene as well as plastics.

It is clear to the big Japanese producers, however, that the boom times will soon be over. Unlike the rest of the Asia-Pacific region, high production levels were not a response to higher domestic demand, but were the result of a number of external factors such as production problems at foreign companies, low energy costs and steady global demand, none of which are controllable or sustainable.

With the scaling up of petrochemical facilities in South Korea, the Japanese industry is having to shift its priorities.

Mitsutaka Saitoh, general manager of Japanese chemical producer Tosoh, believes Japan will move away from production of low value high volume bulk commodities such as ethylene to the more sophisticated and higher value added speciality chemicals. "Japanese chemical manufacturers cannot stay with commodity chemicals if they wish to remain competitive," he warns.

Nevertheless, Japanese firms are unlikely to completely abandon petrochemicals, and plants are being planned and built both in Japan and elsewhere in the Asia Pacific region. Showa Denko plans to expand its Chiba-based petrochemicals complex into Japan's largest ethylene production site at 730,000 tonnes a year — it will be Asia's largest petrochemicals complex. Tosoh Corp is also planning to build up petrochemical operations with a new ethylene plant, and PVC and plastics production. All in all there are plans for five new ethylene plants in Japan, which could prompt a return to overcapacity.

More serious, however, is the situation developing in South Korea. The petrochemical

Chemical demand in Asia Pacific (US\$ billions)				
Country	1988	1989	Real growth	Rate per year
Japan	167	231	64	5.0
Korea	19	32	13	8.0
Taiwan	15	25	10	7.5
Asien	17	25	11	7.0
Hong Kong/PRC	40	68	28	4.0
Total	258	384	126	6.0
% world demand	25	27	34	—

Tioxide is investing in a 50,000 ton a year plant in Korea, while Du Pont plans to establish two 60,000 ton a year plants in Korea and Taiwan. Dennis Relli, Du Pont's director of titanium dioxide operations worldwide, predicts that Asia-Pacific will prove to be the most lucrative market for the white pigment. "Asia-Pacific will show fastest growth with rates of 5 per cent a year compared with 2.25 per cent a year in North America and Europe," he says.

Petrochemicals other than methanol, very modest domestic market, but moderate per capita consumption, large and inexpensive feedstock supplier, net long term exporter of gas and naphtha.

INDONESIA: Yet to be a producer of basic petrochemicals. Moderate size domestic market, low to moderate per capita consumption, long-term exporter of naphtha and gas fractions.

Industry there is enjoying a period of rapid expansion, with new ethylene plants starting up this year and others being built. Without doubt there will be a glut of ethylene in South Korea even though two firms, Samsung General Chemical and Hyundai Petrochemical, have been ordered by the government to export half their production.

Producers are not unaware of the dangers of petrochemicals overcapacity, and indeed it is to head off this situation that Samsung and Japan's Mitsui Petrochemical are forming a joint venture to produce both polyethylene and polypropylene in South Korea. The new plant will use Korean ethylene and Samsung will benefit from Mitsui's experience in operating petrochemical plants.

South Korea is forecast to exhibit the fastest growth over the next few years.

Much of the planned investment in the developing Asia-Pacific economies is for either basic chemical raw material complexes producing ethylene and aromatics, or plants for the production of the chemical raw materials for industrial growth. Already existing petrochemicals developments have contributed to the increase in global market share of Asian producers in a number of key sectors. The Asia-Pacific region now accounts for 34 per cent of all synthetic fibres and 17 per cent of all plastics produced. It is predicted the polyester market will grow by 10 per cent a year over the next five years.

Synthetic fibres production requires pure terephthalic acid (PTA), which is itself manufactured using paraxylene. There are plenty of plans for PTA and paraxylene plants in the region to support the growing synthetic fibre industry.

In addition to Japanese, Taiwanese and South Korean firms, ICI has thrown its hat into the ring with 350,000 tons a year PTA plants in Taiwan and Thailand. Most analysts see the ICI plants as a bold move, as there is likely to be some overcapacity in the region. Nevertheless, ICI senior planner Rob Milligan said it is the company's strategy to double ICI sales in the region from 3 per cent to 15 per cent by 1995.

To assist this objective, ICI recently established headquarters in Singapore to co-ordinate its operations in the region. ICI may face stiff competition from PTA producers in the region and even from some of its potential customers. South Korean polyester makers Sunk-

plexes on the drawing board. Shell leads one consortium for a \$1.5bn complex in West Java, while a group of Japanese chemical firms including Mitsui and Toyo Menka Kaisha have become the target for severe environmental opposition. While the first facility produces ethylene from ethane gas, the new complex at Map Ta Phut will use naphtha, allowing for production of many different derivatives. When this complex starts up, Thailand will be able to supply most of its petrochemicals com-

petitors on the drawing board. The company has threatened to shift its investments to mainland China, but industry analysts believe this may be a ploy to put pressure on Taipei. Formosa Plastics had threatened to build a plant in the US but that too faces local opposition.

While Taiwan tries to sort out its internal problems, Thailand, Indonesia, Singapore, Malaysia and the Philippines continue to attract foreign investment. Thailand's government has placed chemicals at the top of its industrial priority list. The country's first petrochemicals plants are now coming on stream, and foreign firms are queuing up to invest in Thailand's second complex. While the first facility produces ethylene from ethane gas, the new complex at Map Ta Phut will use naphtha, allowing for production of many different derivatives. When this complex starts up, Thailand will be able to supply most of its petrochemicals com-

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Global paraxylene production profile (%)			
Region	1988	1989	1990
North America	34.5	31.9	24.6
Japan	17.5	19.9	15.8
Rest of Asia Pacific	12.6	20.4	27.7
Western Europe	16.8	13.2	11.5
Eastern Europe	10.7	8.2	6.5
Africa/ME/SE	2.4	2.1	4.9
Latin America	5.8	4.3	4.3
Total production*	8.07	10.77	14.08

* millions of tons

SOURCE: PCI (Chemicals & Polymers) Ltd

acquisition Shell was able to secure a share in the country's ethylene / propylene units as well as polyethylene and polypropylene facilities. Far Eastern sources report Shell may also be considering linking up with Japan's Chiyoda to produce aromatics in Singapore but these have not been confirmed by the company.

Plans for a Philippine petrochemicals complex at Batangas, Luzon Island, are progressing in spite of the withdrawal of Taiwan's CGPC late last year. Never the less, Taiwan's USI Far East is still holding a 50 per cent majority share in the project, which will produce ethylene, polyethylene and polypropylene, but is looking for partners.

While Western multinationals are pushing to increase their share of the Asia-Pacific markets, it is clear the traffic is not all one way. Japanese firms, in particular, are now turning their attentions to North America and Europe to globalise their interests. So far, the efforts have been low key with a joint venture here and a small acquisition there. However, the recent acquisition by Mitsubishi of North American plastics manufacturer Aristech may signal a more active future.

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The region accounts for 34% of synthetic fibres and 17% of plastics produced

young and Samnam are linking up with local raw material suppliers Honam Oil and Yukong. But there is likely to be plenty of paraxylene available in the region if plans by Western oil firms such as Shell, Exxon and Mobil materialise. Ciba-Geigy, Akzo and Du Pont are also hoping to tap into the burgeoning synthetic fibres industry.

Dr Andreas Zurcher, head of regional services for Asia and Australia, Swiss major Ciba-Geigy, believes plastics and textile expansions will fuel demand for its additives and dyestuff chemicals. Dutch chemical major Akzo sees the fibres sector as a key growth area in the region and intends to invest in production.

Du Pont, a leading US player, recently unveiled ambitious plans to invest in fibres in the region. Vik Bery, Du Pont's director of business liaison for Asia-Pacific, explained

TOP 15 CHEMICALS COMPANIES 1989

Company	Sales (\$bn)	Pre-tax profit (\$bn)
SASF (West Germany)	28.18	2.52
Hoechst (W Germany)	27.16	2.45
Bayer (W Germany)	25.62	2.43
Du Pont (US)	21.40	1.83
ICI (UK)	21.25	2.46
Dow Chemical	17.80	3.92
Ciba-Geigy (Switzerland)	13.36	1.01
Rhône-Poulenc (France)	12.84	0.94
Enimont (Italy)	11.44	1.98
Royal Dutch/Shell (Anglo-Dutch)	11.08	1.57
Exxon (US)	10.47	1.08
Aldi (Germany)	9.82	0.72
Union Carbide (US)	8.74	0.87
Monsanto (US)	5.68	1.01
Solvay	7.27	**0.46

Chemicals only; **after-tax operating profit; ***pre profit
Source: Chemical Insight newsletter

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CHEMICAL INDUSTRY 4

Natasha Alperowicz and Tony Cox on the eastern Europe position

Political, economic change have wide impact

SOME time in the next two years, if all goes to plan, East Germany's giant plastics and rubber combine, Chemische Werke Buna, will close its ageing and grossly polluting carbide furnaces and hook up with the West European ethylene pipeline network for its petrochemical feedstocks. This will be the most visible sign of the increasingly close integration of the East and West European chemical industries following the dismantling of the Berlin Wall and the rejection of communism by most of the East European countries.

Political and economic changes in the region will have a profound effect on the chemical industry. The most important factors are hard currency trading, privatisation and growth of the market economy, and reification of the two

to spend its new hard currency earnings on Western imports, which are generally seen as being of higher quality. As a result, the East Europeans will become increasingly active on the world market, both as sellers of finished goods and buyers of raw materials.

This process will be reinforced by the progressive breakdown of the specialised bilateral and multilateral trading agreements under which they supply small-volume products such as pesticides, dyes, starch, pharmaceuticals, etc, to the USSR in return for energy-intensive chemicals like ammo-

Four decades of restrictive trading arrangements have left E Europe behind

nia and methanol.

Can they compete? Several of them have long had a presence on the world market in selected products - Hungary in pharmaceuticals, Czechoslovakia in polymers and rubber chemicals; Bulgaria in soda ash, East Germany in potash and the USSR in fertilisers; for example - but in general, four decades of restrictive trading arrangements have provided little incentive to keep pace with improving international standards.

In addition, many of the plants are old, inefficient and of less than optimum size. For example, more than half of all Soviet ethylene plants are more than 20 years old, but account for less than a quarter

of capacity. Also, the switch to an entrepreneurial way of thinking necessary in a market economy will be no easy task for a generation of managers weaned on centralised planning.

Foreign investment will have a vital role in this transformation. "We expect foreign investment not only to accelerate the modernisation of our industry, but also to accelerate the process of establishing private enterprises and, last but not least, to supply managerial and technical know-how, which we are to a large extent lacking," said Zdenek Pokorný, of the Czechoslovak State Planning Commission.

Privatisation is most advanced in Hungary, where many of the major pharmaceuticals, plastics and fertiliser producers have been put up for sale. Chinoin, the leading hard currency pharmaceutical exporter, will be owned by private investors, including a Western drugs manufacturer, before the summer is out. In East Germany, some enterprises will re-establish links with their pre-war partners in the West. Czechoslovakia is developing privatisation proposals, and has received exploratory offers from US, German and Japanese firms interested in several chemical plants. Poland and Bulgaria are also keen to attract private capital. So is Romania, although recent political turmoil is a disincentive for potential investors.

While nobody underestimates the problems in Eastern Europe, the opportunities are

considerable. The region is home to more than 420m hungry consumers and a well educated workforce right on Western Europe's doorstep. Moreover, the market is still underdeveloped by Western standards - per capita consumption of ethylene, the industry building block, is only 22kg a year in Eastern Europe and 11kg a year in the USSR, compared with 41kg in Western Europe, 70kg in the US and 83kg in Japan.

Industry experts believe the plastics market could easily sustain growth rates of 5-10% a year. This potential looks doubly attractive against a background of sluggish growth and surplus capacity in the West.

The release of pent-up consumer demand is adding to the market opportunity. Western suppliers of consumer-related products such as synthetic fibres, dyestuffs, detergents, cosmetics, toiletries and pharmaceuticals are already benefiting from an upsurge in sales to East Europe. Unlike their predecessors, the newly installed democratic governments cannot afford to antagonise public opinion by restricting these imports.

Furthermore, grassroots pressures are limiting local producers' ability to supply. The emergence of an active environmental movement has been a common theme in all the popular revolutions that have swept Eastern Europe, as quality-of-life arguments supersede the old productionist philosophy. Indeed, there is the theory that in the USSR such groups received tacit encouragement from the reformists at local level as a means of loosening the Communist Party's stultifying grip on the country's economic and political life.

Green pressures have already forced many plants to close. In February, it was reported that 17 plants with an annual production value of 27m roubles had been shut down in the Soviet Union over the previous two years because of their poor environmental performance. The list includes plants producing fertilisers, chloralkalis, organic intermediates, cellulosic fibres and films, plastics and single-cell pro-

teins, as well as the USSR's only plant for chloroprene rubber.

A similar fate has befallen plants in the other East European countries - soda ash and man-made fibres in Poland, chlorine and caustic soda in Romania, pesticides and rubber chemicals in Czechoslovakia, to name but a few.

Special problems are likely to arise in East Germany as it units with arguably the most environmentally conscious nation in the West. It is estimated that around half the East German chemical industry would close down if forced

A united Germany poses a green problem for E Germany's industry

to conform to West German environmental standards. Pesticides and fine chemicals plants at Magdeburg have already stopped production following cross-border forays by West German Greens, and 29 plants at the giant Bitterfeld combine (reputedly the pollution capital of Europe) will also be shut down in the near future. Many of the polluting coal and lignite-based power stations and chemical plants will also not long survive union with the West.

While conscious of the market potential, most Western companies are taking a cautious approach to direct investment in Eastern Europe. John Mitchell, chairman of ICI Eastern Europe, says that before committing major capital resources, "Many Western companies would be keen to find specific customer-service-related investment opportunities, including application technology transfer and training, and local storage/formulation packaging services."

This is the policy being followed by ICI, which does £200m a year of business with Eastern Europe. The UK company has already announced a small investment in an industrial paints joint venture in Leningrad, collaboration in Hungary and Czechoslovakia. It is discussing seven or eight other joint ventures in the region.

Most observers predict the peaceful West German chemical groups will be the main beneficiaries of the changes in Eastern Europe. Yet they appear to be cautious, being understandably preoccupied with forging new links with their East German counterparts to benefit from reunification.

To mention a few examples, Chemische Werke Buna, the East German plastics and rubber combine, is negotiating an agreement to form a 50-50 joint venture with Ruels in the West. Henkel has agreed a technical co-operation with East Germany's leading detergents combine Waschmittelwerk Genthin; Hoechst has signed a similar agreement with Lacupa the leading paints producer; and BASF is discussing co-operation in production and marketing with the Schwarzeide polyurethanes combine.

Even so, many West German companies are reluctant to take over ownership of East German assets for fear of unknown, long-term environmental liabilities.

for perestroika. They were intended to process the country's abundant natural gas reserves to meet its growing need for plastics. Since then, two have definitely been cancelled and three are expected to remain more or less dormant until the USSR's political and economic uncertainties have been resolved.

The two most active projects

are contractor-led. Wespec, a joint venture between ABB Combustion Engineering of the US, Neste Oy of Finland, and Mitsubishi and Mitsui of Japan, is planning a \$1.2 billion petrochemical complex at Tobolsk, Siberia, to manufacture 450,000 m.t. a year of polypropylene and 30,000 m.t. of SBS thermoplastic rubber. Progress, however, has slowed recently, mainly because of difficulties in raising finance, and it is now expected to begin production in mid-1992.

In June this year, the UK contractor John Brown formed a joint venture with Gazprom, the Soviet natural gas concern, to build a \$500m ethylene/polyethylene complex in the remote Novyi Urengoi region of northern Siberia. Asetco of West Germany, part of the Veba energy and chemicals concern.

Both ICI and Dyno view explosives as important strategic assets, even at a time when many rivals regard the sector with a distinct lack of enthusiasm, due to the fact that sales in many developed countries are barely increasing.

In the US and Western Europe, demand for civilian explosives is hardly growing.

The US is the world's biggest market for these materials, accounting for sales of an estimated \$700m a year.

The poor prospects for explosives sales in many countries result from only small growth in the number of large-scale civil engineering projects in areas like mining and dam building which rely on blasting materials. This less than wonderful position for the industry has led to some companies, which previously had been big players in explosives, withdrawing from the field in recent years.

The best known group to have taken this route is DuPont, the United States' biggest

EXPLOSIVES

A field of strategic importance

EXPLOSIVES used in civil engineering form one of the oldest parts of the international chemicals industry. The area is also, in product terms, one of the most stable, with relatively few innovations in the past century to change the basic character of blasting agents.

None the less, the sector gives a snapshot of the many small sectoral areas in the chemicals industry, some of which have changed significantly in recent years as a result of new companies moving into the field and others

chemicals business. Outside the developed nations, however, the explosives sector is expanding quite quickly. Mr Arild Ingierd, chief operating officer of Dyno and the head of the company's explosives operations, says he regards the Pacific Rim countries as a promising growth area.

The most important technical ideas behind the modern civilian explosives industry evolved late last century. Since then, apart from some refinements of these techniques in the 1950s which led to slurry-based explosives that are easy

to handle and inexpensive, not a great deal has changed.

In the US, Dyno is the biggest explosives company, in spite of the fact that it established its presence there relatively recently. Until 1984, virtually all explosives activities were centred in Norway.

In that year the Scandinavian company bought Ireco Chemicals, a leading US maker of blasting substances, and in 1985 acquired the explosives division of Hercules, another US chemicals group.

Since then, Dyno has built up its operations in this field in North America - it bought several US explosives distributors in 1986, and also expanded in other parts of the world such as Australia and South East Asia.

Dyno has recently reached an agreement with the Soviet Government to aid the expansion of the explosives industry in the USSR. As part of this it is to have a stake in the building of a new explosives production plant at Neryungri in Siberia.

While Dyno has been forging ahead in the US, until recently ICI had virtually no presence. Last December, however, ICI dived into the US explosives industry by an agreement to buy for \$163m Atlas Powder, a leading US explosives maker then owned by Tyler Corporation, an industrial products company.

Peter Marsh

Consumption of chemicals products worldwide				
Region	Demand capita/year (\$)	Ratio of demand to GDP per head	Growth in demand (annual %)	Likely growth in demand (annual %)
N America	970	0.05	3.9	3.4
Japan	1,500	0.07	4.3	4.5
E Europe	430	0.12	3.1	3.5
Central/S America	150	0.08	4.0	5.0
Far East	150	0.11	9.3	7.0
India/Pakistan	30	0.09	5.9	6.0
Africa	40	0.06	1.6	3.5
Middle East	100	0.05	0.7	2.5
Australasia	650	0.04	3.3	3.4

* not including Japan, China

Source: UK Chemical Industries Association



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CHEMICAL INDUSTRY 5

Hilfira Tandy looks at the mainstay of petrochemicals

Days of plenty for ethylene

IMAGINE life without water. Well, that's like imagining the petrochemical industry without ethylene. Without it, the rest is academic.

Derived from either crude oil or gas, ethylene drives the production of those more tangible products, like omnipresent plastics (polyethylene and polyvinyl chloride) and synthetic fibres (nylon and polyester).

For nearly eight years the world's chemical industry has benefited from a combination of sustained world economic growth and its own capacity needs. Overcapacity - industrial middle aged spread - had set in during the 1970s; by the early years of the 1980s, it was evident that rationalisation was required if the industry were to survive.

Truly abysmal performances - even the so-called leaders, such as ICI, BASF, Dow and Du Pont were losing money hand over fist - forced tough decisions. In Europe, of the 64 ethylene crackers (plants) that had been in operation at the beginning of the 1980s, 24 had been shuttered by 1984.

The slimming regime - which knocked out some 30 per cent of the world's total capacity - worked, and it has con-

tinned to work. The international ethylene industry hit its high towards the end of 1988 when petrochemical profitability peaked at the highest level ever recorded.

But what has happened since?

Dark memories of overcapacity kept investors away from ethylene

- getting more out of less - has become yesterday's in-

the globe was set to inflate its capacity from about 1988's 56 to some 75m tonnes by 1992. In just the US and Western Europe, new ethylene capacity announced amounted to just over 10m tonnes. Add to that plans to build in South East Asia and Japan (circa 6.5m tonnes), and the running total notched up to some 16.5m tonnes - 30 per cent of existing worldwide capacity.

Overindulgence? May be, if you believed it. The strategy was clear - for corporate survival, building capacity was the only Darwinian way. Survival - survival.

In Europe during 1988, at least 10 plants were announced, some indicating a clear change in the way industry was viewing its future. Competitors were starting to join forces, sharing both the risks and the expected profit. The combination of Finland's Neste with the UK's Petrofina - in their Financiate joint venture - was the first of such moves, which at the time were regarded as controversial by the majority of the partners' competitors.

But no sooner had the dust settled on that announcement than a whole host of other plans emerged. Some seemed,

and were, for real, but others were attempted at pre-empting rivals, or moves to halt others joining the building spree. Virtually every one of Western Europe's top 10 ethylene producers announced intentions either to lift existing capacity

As euphoria gave way to realism, some strategic alliances began to emerge

or to build new plants. If that alone were not enough, a few other players had joined the club since the late 1970s and early 1980s. North Africa, Saudi Arabia and Libya and Middle East, (notable Saudi Arabia and Iran) producers had come into the picture, as had Taiwan, South Korea, Thailand and Indonesia. Many of these countries were strategically exploiting their own ace cards - namely abundant supplies of crude oil and gas, available at prices that should ensure a significant competitive edge against the established developed world's main players.

Industry Jeremiads were predicting that projected overcapacity in the ethylene business would drag the business back into the red. This year was widely expected to herald

a significant downturn in the industry's fortunes - driven by weaker demand per se and a number of new plants gearing up for commissioning.

In the event, the profitability of the business - while diluted from the heady levels of just a couple of years back - is still quite respectable, even commendable. On either side of the Atlantic, a series of unheralded plant shutdowns and operating hitches have combined to bolster ethylene markets and help support prices.

In Europe the biggest head-

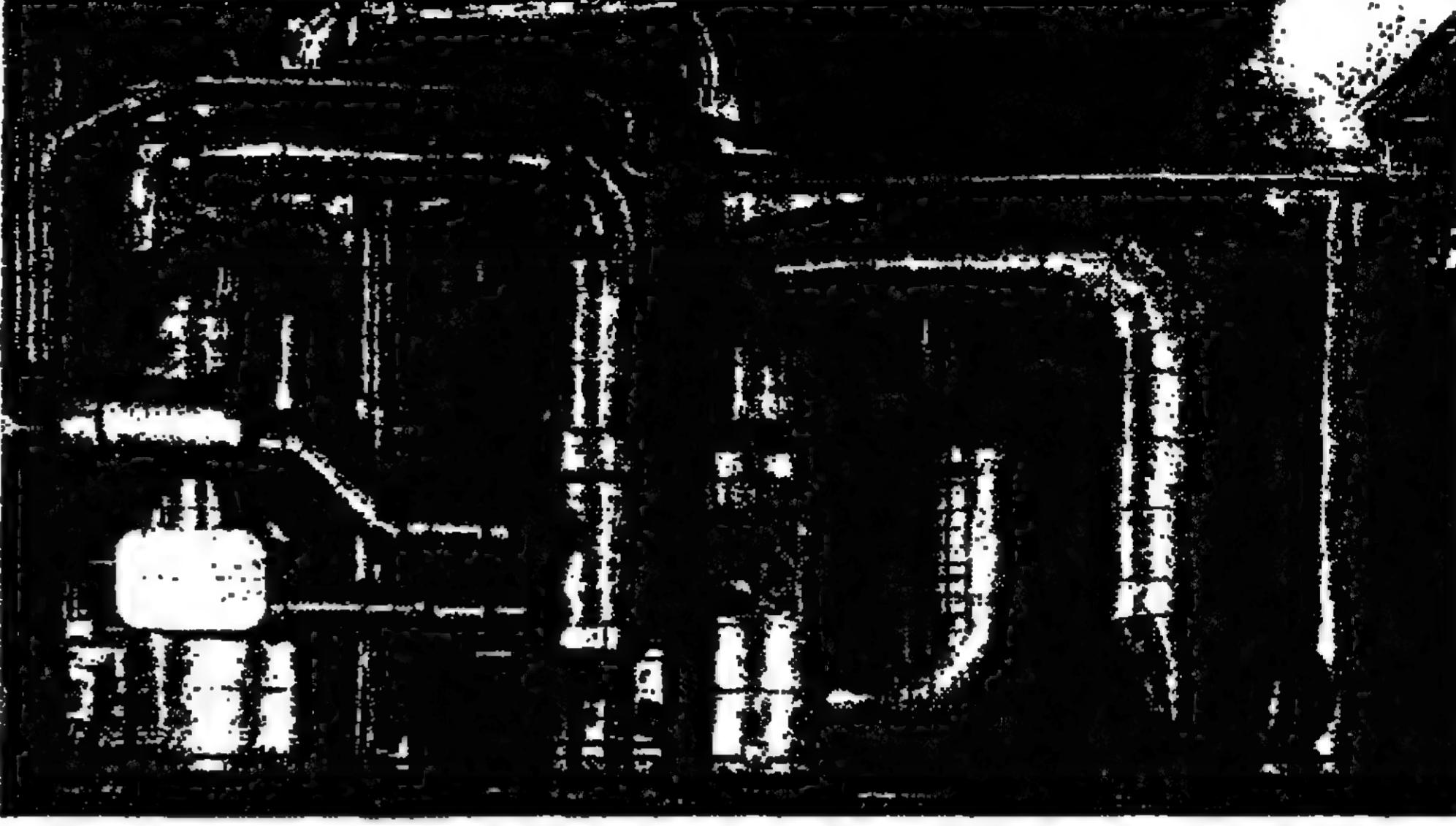
ache occurred at Shell's French unit at Berre, which has been out of action since this March and is not due back on-stream until next month. Planned and unplanned outages at numerous other plants throughout Europe have, none too surprisingly, led to the reverse of the predicted pricing pressures.

Similarly in the US, unplanned outages at the second largest producers' plants - Dow - have arrested any dramatic erosion of prices levels. This strengthening has been aided by operational prob-

lems in at least five other plants run by Texaco, Exxon, Oxychem, Quantum and Shell.

So, while the industry is not enjoying the great profits of 1988 and 1989, the sky has not fallen in on it. Fears that the industry will repeat the overbuilding follies of the late 1970s/early 1980s have receded for the moment at least.

• *World Cracker Report - a comprehensive review of the international olefins industry (1980-1992), published by World Petrochemical Analysis Ltd, February 1990.*



The very image of a modern chemical plant, huge pipes gleam at a sulphuric acid plant in BASF's Ludwigshafen works in West Germany

Fish farming, seed breeding, aircraft paints, breweries ...

Diversified safety nets

but it took off and became a buzzword."

The switch in emphasis from high-volume, low-margin materials to more specialised, high-margin products meant more manufacturing, more marketing and more attention to customer requirements. Mr Wey cites the growth of engineering plastic as an example.

Laporte, another UK chemicals group, is another example of a company shedding bulk businesses and moving into speciality areas. The agreement fitted with Courtaulds' strategy to diversify into the speciality area of aerospace paints - it had a small business in this sector in France. It also bought a US adhesives company serving aerospace, defence and building industries, for \$260m, last year.

Courtaulds decided, at the end of last year, to split off its textiles interests into a separate company. That completed the circle that began when the post-war Courtaulds, as a successful textiles giant, diversified into downstream paints, plastics and finished textile products.

Rhône-Poulenc, France's biggest chemicals maker, has in the past five years moved rapidly into a number of new areas outside basic chemicals. It says it is the world's third largest maker of food fermentation products. It also claims to be the world's largest manufacturer of surfactants - chemicals that reduce the surface tension of liquids and are used in cleaning applications. In 1989, Rhône-Poulenc spent \$480m on GAF-SSC, a subsidiary of US company GAF, and \$212m on RTZ Chemicals, the fine chemicals offshoot of industrial group RTZ.

Monsanto of the US, known in the 1980s as a bulk chemicals company, has about 20 businesses and taken on 10 since 1986 in a move downstream. Acquisitions included Searle, the pharmaceuticals

company; NutraSweet; detergents; garden products; and thermoplastic rubber. Searle expects to be out of the red this year - its first profit since it came under Monsanto's control.

Diversification does not have to be just by sector. The Rhône-Poulenc purchases will lift its turnover in the US - which has the world's largest national chemicals market - to 20 per cent of the group's sales.

ICI, the UK group which is the world's fourth largest chemicals company, began a global move away from bulk to upmarket products in the early

1980s. The result was a halving of its UK workforce and the purchase of companies in the US worth \$3bn in specialised areas of chemicals such as crop-protection materials and polyurethanes. It also transformed its national organisations into worldwide business units. About 40 per cent of ICI's 150 executives are non-British.

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MANAGEMENT: The Growing Business

Step back and take an overall view

Charles Batchelor concludes his series by stressing the value of planning to make best use of inevitably limited resources

For Albert Barnfield, managing director of Restall Bros, a family-owned manufacturer of car seats, 1990 looked more like a threat than a promise. The Birmingham-based company, with sales of £1.2m and a workforce of 46 people, saw the creation of the single European market as a challenge to its position in the UK market.

It was with defiance rather than attack in mind that Barnfield signed up for a course - Birmingham Project 1992 - designed to give Midlands companies the planning, marketing and language skills to cope with 1992. However, the realisation of the economic power and the market potential of continental Europe which became apparent during the course persuaded Barnfield to alter his approach radically.

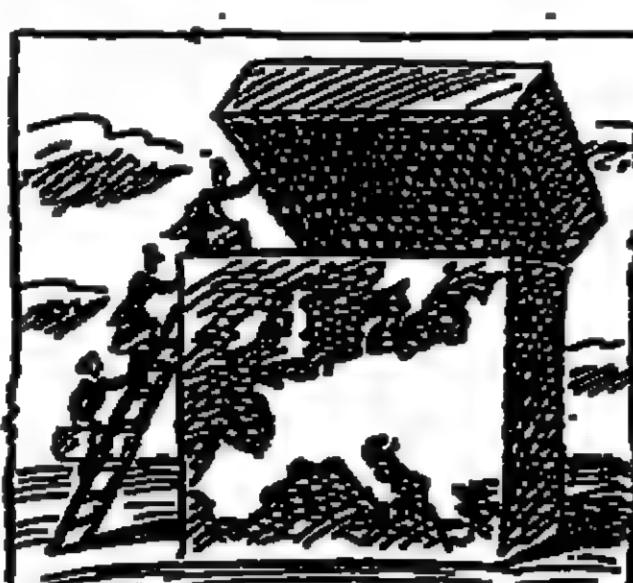
"It is only when you get detailed information on markets in continental Europe that you realise how much more investment capital there is about than in the UK," he says. You realise how much you have isolated yourself from the Continent."

Restall, which currently makes all of its sales to specialised car-builders in Britain, has now begun a determined campaign to break into continental Europe. It plans to show its wares at a large motor components fair in Frankfurt in the autumn and has begun a search for suitable agents in Belgium and the Netherlands.

Surveys over the past two years of the response of smaller British businesses to the challenge of 1992 have tended to paint a gloomy picture. Many companies appear to be doing little to prepare themselves either to defend their home turf or to go out and seek business abroad.

For some the volume of information on the subject of 1992 has had the reverse effect to the one intended. "A lot of companies have found it overwhelming," comments Gordon Greenley, a specialist in strategic planning and marketing at Birmingham University Business School.

Nevertheless, with just 2½ years to go until the formal



Opening up in Europe

date for the creation of the single market - more and more businesses are working out their responses.

If they are to succeed, their strategies for 1992 must form part of a carefully thought-out plan, Greenley insists. "Many small business owners think planning is a waste of time. But once they start the process they discover how little they know about their industry and their markets and they realise how vulnerable they are."

J. Hudson & Company (Whistles), another Birmingham company, has been exporting since the 1930s when a manager with a yen to travel and a gift for languages signed up agents around the world. The 130-year-old manufacturer of whistles, bird calls and musical accessories now exports 80 per cent of its £15m turnover to 80 countries.

But this impressive export record was no reason for complacency. "We can see patterns of trade shifting in 1992," comments Simon Topman, sales director. "We have to strengthen our base in Europe to make sure there are no markets where we are under-performing."

By stepping back from day-to-day operations as part of the Birmingham Project managers at Hudson realised they had not been putting enough effort into markets in southern Europe - where they were relatively weak.

In northern Europe it was sufficient to offer new products to its distributors for sales to follow. But in southern Europe customers were less familiar

with the Hudson name and distributors would be left with stocks. The company concluded that it had to market its products more actively.

So, with the agreement of its local agent or distributor, it has begun contacting associations of referees, dog-handlers and other users of its products.

Starting to export or increasing the scale of exports requires companies to master the techniques of local legislation and customs, shipping arrangements and reliable methods of getting paid. Many of these details can be entrusted to employees or specialists outside such as freight forwarders but one of the most difficult barriers to overcome is language.

At Restall, Arthur Barnfield has begun learning German while his sales manager is tackling French. Delitacan, a Birmingham-based supplier of computer-aided design and manufacturing systems, has signed up 10 of its technical engineers for a German course as part of its sales push into Germany. At the same time the company, with sales of £5m and a workforce of 90, has hired a Portuguese-born sales engineer who also speaks Spanish and French to increase business in southern Europe.

Most small businesses lack the resources to tackle more than one or two markets at once. Restall Bros is concentrating initially on Belgium and the Netherlands because these are small, nearby markets which should not be too difficult for a company new to exporting.

Exporting can create new markets for a company's existing product range though some products may have to be modified for them to be acceptable. Replica Food, a London-based manufacturer of models of food items for use in shop displays and photographic and film work, has added continental items to its range to take account of local tastes.

It has also spent many months working with the French Association of Dieticians to produce a French version of a kit to allow dieticians

to demonstrate food quantities to their patients.

Lorraine Krell, managing director of Replica, says exporting was a natural extension of the company's UK business. With a German father and having spent part of her childhood in Switzerland, her background is more international than that of most British businesspeople. But even these advantages were of little help when Britain implemented a European Commission directive aimed at stopping the sale of imitation food items which, if swallowed, could prove dangerous to children.

Intensive lobbying with the help of some of Replica's large customers led to changes in the UK legislation (other European countries had implemented the directive in less damaging ways) but Replica's growth plans were set back two years. Officials had not realised the likely impact of the directive on such a specialised business sector, comments Krell. This episode points to the need for even the smallest business - Replica has sales of £500,000 - to monitor the effect of impending European legislation on its activities.

Even for companies which do most of their export business outside Europe the approach of 1992 is leading to changes. Quayle Dental Manufacturing, a Worthing, West Sussex-based manufacturer of a range of products from dental chairs to syringes, has concentrated on so-called "difficult" overseas markets such as the Middle East and Nigeria. Quayle Dental is nevertheless keen to increase its share of the European market. Products which have been launched on non-European markets have for some time been designed to incorporate additional features for the more demanding European market. Dental chairs, for example, may only need to be adjustable in four positions in developing markets but with the addition of some circuitry can be modified to provide the 12 or 16 positions demanded by European dentists.

But not everyone is thinking things through, warns Simon Dickinson of European Market, a Doncaster-based consultancy. One UK company had attempted to break into three different national markets - each one consisting of four or five distinct segments - using a single agent in France and had been surprised at the slow progress it had made. However, a growing number of businesses is starting to develop a considered response to the challenge of 1992.

Previous articles in this series appeared on July 10, 17 and 24. Contact IC Ltd Tel. 021 359 0981.



Lorraine Krell: Replica Food has adapted its range to take account of continental tastes

More post-mortems needed

Charles Batchelor on research into business failures

What happens when a small business goes bust? With most employing only the owner or a handful of people failure takes on a very personal flavour. Yet very little is known about consequences of business failure.

To judge by the number of research studies which have been carried out we would rather learn about the creation and growth of businesses than their decline, says Allan Wicker, professor of psychology at The Claremont Graduate School, California. Researchers who study organisational decline and death are the corollary of the entrepreneurship field, he notes in a recent study.*

Starting out with a random list of 415 retail and service businesses which started operations in southern California in late 1984 or early 1985, Wicker initially tracked down the owners of 37 closed businesses.

Of these, 22 (59 per cent)

times had been transferred to another owner, while 15 (41 per cent) had been liquidated. The firms had remained in business for between five and 36 months - an average of 17 months.

Nine owners shut down because the business was not providing sufficient returns, while health reasons were cited in four cases; problems with a lease or landlord, suppliers, receiving buy-out offers,

being tired of the business (three each) and other opportunities (two).

Nearly half (17) said closing was personally difficult. Twelve owners (32 per cent) reported negative feelings - sadness, depression, disappointment or anger - while 10 (27 per cent) recorded positive feelings - relief, happiness.

Nine (24 per cent) said that the closing negatively affected their personal relationships.

Fewer than one in four owners (eight) recovered more than their original investment while nine were still in business but had been misclassified by the tax office.

This left 43 - but six refused to participate either because the experience was too painful or because they were suspicious of the researchers' intentions. The remaining 37 took part in the survey.

More needs to be known about "exits from entrepreneurship" to understand better the personal consequences of risk-taking, Wicker suggests.

"More information would also benefit policy makers and prospective entrepreneurs who are about to place themselves and their resources at risk as well as the resources of others - at risk."

The Missing Persons of Entrepreneurship Research: Owners of Discontinued Businesses.

See also this page May 1990.

Wicker's search for the own-

ers of closed businesses reads like a detective novel. From 415 businesses registered with the board which collects California's state tax, 198 had been removed from the files by October 1987, indicating that they had been transferred or liquidated.

Voters' lists and registers of business names were combed to establish addresses while the US Postal Service provided some new addresses.

This led to 51 of the 198 owners being contacted, though nine were still in business but had been misclassified by the tax office.

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The Missing Persons of Entrepreneurship Research: Owners of Discontinued Businesses.

See also this page May 1990.

In brief

A one-day conference entitled Buying and Selling Private Companies will be held by the Institute of Directors on October 3 in London. Subjects to be covered include finding buyers and sellers, investigating and approaching target companies and how to value the business.

Contact Conference Department, IOD, 116 Pall Mall, London SW1Y 5ED. Tel. 071 333 1233. £261.50 inc VAT for non-members.

Small firms interested in carrying out low-cost market research in West Germany may like to hear of a new student link arranged between Durham University Business School (DUBS) and the Technical High School for north-east Lower Saxony in Lüneburg.

English-speaking German

business studies students spend time with the British firm to learn about its products and any desk research which has been carried out before returning to Germany to visit potential customers, intermediaries and trade associations. (British students meanwhile spend time with German companies.)

The German student then presents a report written in English and will accompany the British owner-manager on a visit to meet potential clients.

DUBS plans further links with colleges in other countries on the mainland of Europe.

Contact David Roe, DUBS. Tel. 091 374 2299.

A £1m seed capital fund to help bring scientific research being carried out at Cambridge University to the market place has been launched by Si, the venture capital group, and the university.

The Cambridge Quantum Fund will arrange licensing and patents, organise joint ventures and introduce academic teams to industrial partners as well as helping academics set up their own companies.

Individual projects will be eligible for backing of up to £100,000.

Finance and backing for the fund has come from Hambros Advanced Technology Trust and a number of Cambridge colleges as well as from Si and the university.

The Cambridge fund has been modelled on a £150,000 fund established at Edinburgh University in 1985 and a £250,000 fund set up at Stirling University in 1988.

The Edinburgh fund has backed seven projects.

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Corporate Services Division announces the formation of its Corporate Sales and Acquisition Service to assist smaller businesses in locating and completing sales or purchases of businesses. Please write for the attention of Mrs Caroline Frew specifying the sector, the size in assets, profits of consideration; together with contact names and telephone numbers to Box F9906, Financial Times, One Southwark Bridge, London SE1 9HL.

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- CAD and test facility
- European sales office
- 340 employees

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- 260 employees

Parkfield Wheels — Rochester, Kent

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- 430 employees

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- Manufacturer of press forming tools for a wide range of components including crossmembers, sumps, truck and car doors and satellite dishes
- Sales of £3m p.a. to a wide variety of customers
- One freehold factory covering 25,000 sq. ft.
- Equipment includes Kellers and Heyingerstadt profile milling machines, and a range of other plant up to tryout presses of 400 tons
- 47 employees

Fishers — nr Blackpool, Lancs

- Manufacturer of high quality plastic injection moulding and rubber mould tools. Some small plastic components are also made
- Sales of £3m p.a. to aerospace and other high technology customers
- Freehold site of 60,000 sq. ft.
- Sophisticated erosion, forming, grinding and machining equipment. Extensive deep hole boring capacity. In-house tool testing on special performance machines
- 100 employees

Precision Components — Peterborough, Cambs

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- Equipment covers an extensive range of CNC machines including Swedtum turning and Sherman 5-Axis machining centres
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JOINT ADMINISTRATORS
Michael A Jordan
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Pressings and Fabrications

Polarcold — Congleton, Cheshire

- Manufacturer of a complete range of pressed components including tanks, panels and door skins for trucks, satellite dishes and domestic appliance pressings
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- Equipment includes a full range of presses from 80 to 1000 tons with 128" bed size. Complete process lines for tank welding and body-in-white installations. Spray and powder coat plants
- 220 employees

Homer Pressings — Walsall, West Midlands

- Manufacturer of small pressed assemblies and components
- Sales of £5m p.a. mainly to the automotive sector
- Freehold premises of 45,000 sq. ft. including extensive warehousing
- Equipment includes a range of presses from 80 to 600 tons, and welded assembly process units, both CO₂ and spot
- 140 employees

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Parkfield Steel Wheels — Kidderminster, Worcs

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- Manufacturer of pressed steel wheels for truck applications
- Sales of £18m p.a. to international markets for truck, bus and off-road wheels. Significant European and North American sales
- Freehold factory covering 220,000 sq. ft.
- Extensive pressing and machining equipment, and the only truck wheel line in the U.K.
- 370 employees

ICork Gully

Ferrous Castings

Parkfield Richards — Leicester

- Manufacturer of SG iron components with grey iron applications and cast iron bar for special customers
- Sales of £5m p.a. mainly to machine tool manufacturers
- 10 acre freehold site
- Facilities include Moldmaster line for SG iron castings and small Hunter line for smaller casting applications
- 130 employees

William Lee — Sheffield, Yorks

- Manufacturer of SG iron components for all applications
- Sales of £14m p.a. to railway and automotive manufacturers
- 8 acre freehold site
- Facilities include three casting lines — Dismatic, Holdsworth and Jet Squeeze — supported from a medium frequency furnace
- 420 employees

Parkfield Horwich — Bolton, Lancs

- Manufacturer of wide range of grey iron and cast iron products. Separate heavy leaf springs production facilities
- Sales of £18m p.a. to railway and automotive manufacturers
- 26 acre freehold site
- Facilities include sophisticated hot blast culpas and electric medium frequency melting. Two casting lines with totally integrated Kugel Wagner. Leaf spring shop with special purpose forming machines and two integrated light press lines
- 330 employees

Parkfield Foundry — Stockton, Cleveland

- Manufacturer of SG iron tunnel sections and other SG components
- Sales of £17m p.a. to automotive and transportation customers
- 7 acre freehold site
- Facilities include automated busbar casting lines, with culpa melting facilities
- 285 employees

Parkfield Chesterfield — Chesterfield, Derbyshire

- Manufacturer of SG iron products for the automotive industry
- Sales of £12m p.a. including European customers
- 3.5 acre freehold site
- Facilities include new Dismatic casting line supported by electric melting and floor moulding to produce large tunnel segments
- 165 employees

Elkington Gatic — Dover, Kent

- Machining and distribution of grey iron and steel fabricated installation access covers
- Sales of £5m p.a. to a wide range of contractors, the Post Office and Airport authorities
- 0.9 acre freehold site with 20 years remaining
- 36 employees

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Thompson Chassis — Wolverhampton, West Midlands

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The Directors of the company accept responsibility for the contents of this advertisement, which has been approved by Ernst & Young, a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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For further details, contact the Joint Administrator: Malcolm London at: Cork Gully, Shelley House, 3 Nibley Street, LONDON EC2V 7DQ. Telephone: 071-808 7700 Fax: 071-808 9887 Telex: 684730

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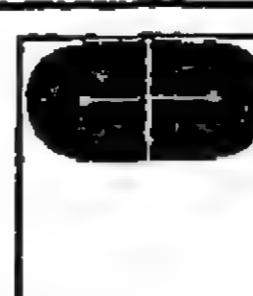
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Interested parties should contact the Joint Administrators Receivers at:

100 Chalk Farm Road, London NW1 8EH.

Reference: L3067/EP.

Telephone: 071-267 4177. Telefax: 071-267 1028

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TRADE & INDUSTRIAL - CORRESPONDENCE COURSES. RELOCATABLE NP £160K. No special knowledge. Future income assured £70K (Ref: ZP2200WV)

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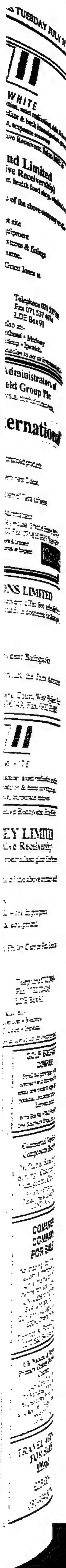
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For further details and registration forms:

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- JAPANESE MANAGEMENT SYSTEMS

- JAPANESE INWARD INVESTMENT IN EUROPE

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Date: November 12th to 14th 1990

Venue: The Holiday Inn, Cardiff

Residential delegates: £490 + VAT

Non-residential delegates: £350 + VAT

Further Details from: Mrs Rosemary Smith, Secretary to Conference Committee, Centre for Japanese Studies, University of Wales College of Cardiff 10, North Road, CARDIFF CF1 3DY Tel: 0222 341925

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NIGHTCLUB

TECHNOLOGY

Catalysts filter out pollution

"THE ENVIRONMENT is a tremendous opportunity for us," says Orin Smith, president of Engelhard, the US metals trading and engineering company. The environment offers possibilities for new catalysts that serve applications concerned with reducing pollution.

Engelhard is among the biggest companies in the world's \$3bn a year catalyst industry. Catalysts are materials that speed up or change chemical reactions and are left unaltered by the process.

Engelhard, with Johnson Matthey of the UK, is already a leading company in catalysts which remove poisonous gases such as carbon monoxide and nitrogen dioxide from car exhausts. It is also a leader in catalysts for use in the petroleum and chemical industries.

Engelhard is now trying to develop new ideas for catalysts in environment-related areas. One concerns lowering emissions of various oxides of nitrogen from turbine generators which burn natural gas. Such oxides are formed as by-products of most kinds of combustion processes and can cause smog and health difficulties.

Scientists at Engelhard have found a way of adding a specific catalyst that lowers the temperature at which the natural gas burns in air, ensuring combustion takes place in such a way that oxides of nitrogen do not form. This, Smith says, is a better solution than installing expensive scrubber systems to remove the nitrogen oxides afterwards.

Engelhard is working with General Electric on putting the turbine catalyst system into a form that can be sold. This should happen over the next few years, according to Smith.

In another environment-related area, Engelhard is developing a zeolite-based catalyst which could be used to remove lead and other harmful metals from water. Zeolites are natural materials containing tiny pores which act in a similar way to sieves, removing unwanted materials.

The product could be used in a variety of applications such as ensuring the safety of water supplies for drinking or cleaning up industrial effluent.

Peter Marsh

The production of washbasins and toilets is undergoing the most fundamental technological change since Thomas Crapper invented the flushing cistern in the 19th century.

The traditional process of manufacturing ceramic "sanitaryware" takes up a lot of time, space and energy. Each item is cast in a plaster of Paris mould. The plaster draws water slowly out of the clay until it is set firmly enough to be "fired" in a kiln. Then the mould has to be dried before it can be used again. Each mould can be filled only once or twice a day and, as a result, a large sanitaryware factory has to set aside acres of working space to accommodate moulds while the clay is setting and the plaster drying.

A new technique, called pressure casting, greatly accelerates the process. The output from each mould is increased from one or two to 75 items or more per day. Heating and space requirements are therefore far less than in a conventional factory. And the process lends itself to automatic production far better than traditional casting.

Although the effects of pressure casting are not as obvious to the end-user as Crapper's invention was, the technique promises to cut the costs of bathroom fittings and increase the range available to the consumer.

The world's sanitaryware manufacturers turn out about 150m ceramic pieces a year, worth \$2bn at trade prices. UK output is 7m pieces a year, according to industry estimates. (These are mainly washbasins and toilets - baths are normally made of metal or plastic.)

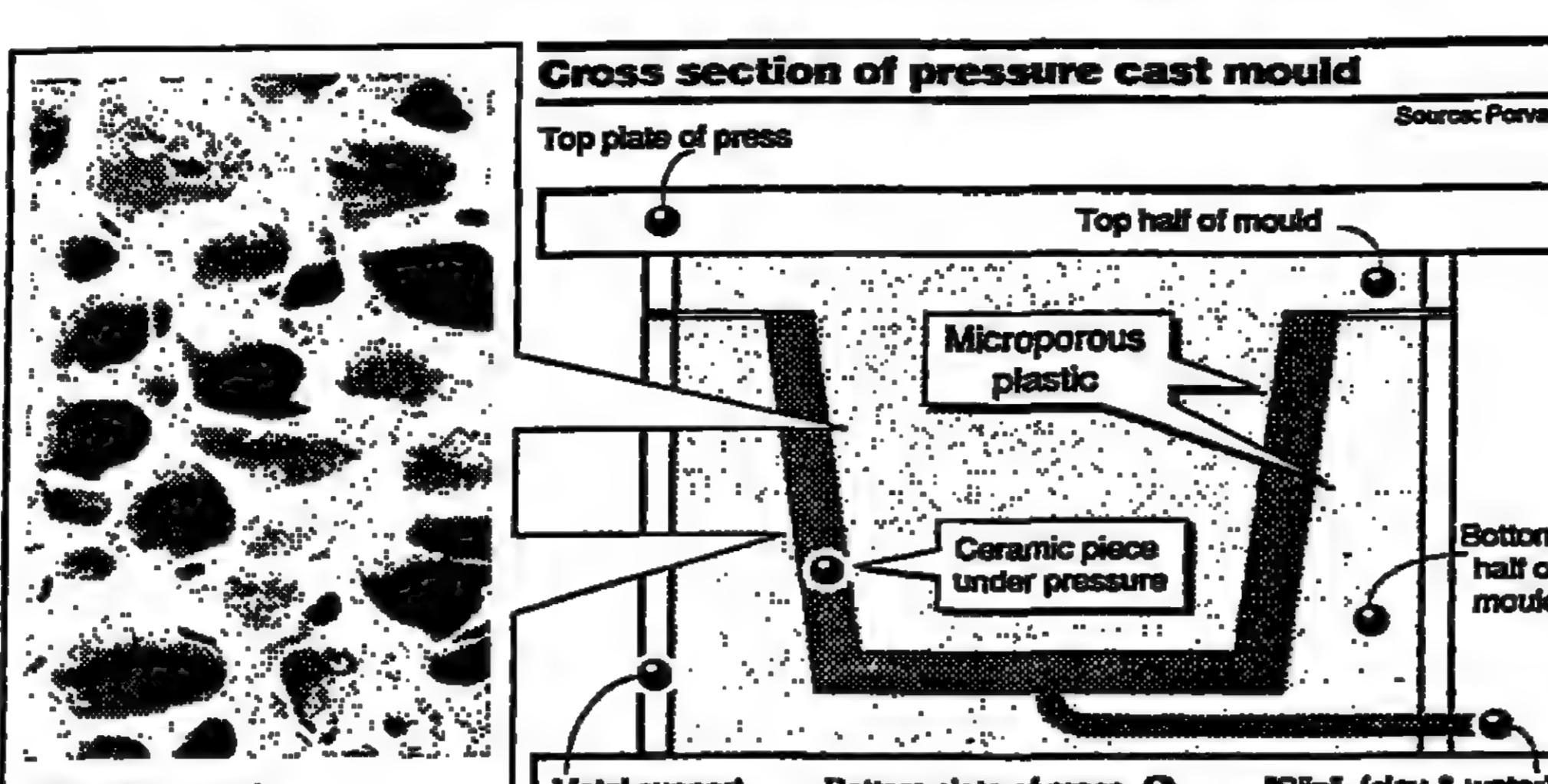
Porvair, a UK company developing a pressure casting system, says the technique is suitable for more than half the world's sanitaryware production. It could also be used to manufacture 10 per cent of ceramic tableware (the total world output of tableware is estimated at 2.5bn pieces per year).

Pressure casting is suitable for asymmetric pieces of tableware such as teapots, jugs and roasting dishes, but simple mass-produced items - plates, cups and saucers - are produced more efficiently by pressing than by casting.

The process of pressure casting is similar to injection moulding. Slip, the traditional potter's mixture of clay and water with a consistency similar to double cream, is squirted into the mould at somewhere

Clive Cookson examines improved techniques for manufacturing ceramic toilets and washbasins

Casting that will break the mould



between five and 40 times atmospheric pressure. This forces water out of the slip through tiny pores in the mould, which is made from a "microporous" plastic material.

A large ceramic basin "sets" within 15 minutes under pressure; it would take hours in a conventional plaster mould.

A small piece of tableware sets in two minutes. The quality of the cast may be higher too, because the pressure helps to consolidate the particles of clay.

Then the pressure is released and the set clay is removed from the mould, ready to be fired and finished. The mould can be closed and the cycle repeated immediately.

Although plaster moulds need to be dried out with hot air before they are used again, this is not necessary for microporous plastic.

Plaster moulds are cheap and short-lived; typically they have to be replaced after they have turned out 100 ceramic pieces, because the surface starts to deteriorate. Plastic

pressure moulds are designed to turn out at least 10,000 ceramic items but they are expensive; £15,000 each is typical today though the price is likely to fall as the technology becomes better established.

The ceramic industry has been aware of the theoretical advantages of pressure casting since the beginning of the century and a German patent for the process was issued as early as 1922.

But suitable porous materials for the pressure mould - with a strong, uniform and hard-wearing surface - have only recently become available at a low enough price for industry to afford.

British Ceramic Research Limited started experiments with pressure casting in 1964 and had produced an automatic machine for casting lavatory basins by 1970. But the moulds were too expensive and short-lived for commercial exploitation, and the research programme was put into abeyance until the late 1980s. Ceramic Research is again working actively on pressure casting.

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pressure moulds are designed to turn out at least 10,000 ceramic items but they are expensive; £15,000 each is typical today though the price is likely to fall as the technology becomes better established.

The main benefit of the new technology is the greater flexibility it gives Ideal-Standard to match production to customers' orders, says Norman Bennett, joint managing director. The plastic moulds can be changed in the pressure casting system within an hour, if the factory needs to switch to a different model of toilet or washbasin. With the conventional process it could take several days to change over, as new stocks of short-lived plaster moulds had to be produced first.

MB Group, the largest UK manufacturer of sanitaryware, has presses from both German companies: three from Dorst and three from Netzsch at Stelrad.

But most ceramics factories still work with conventional plaster moulds. Less than 5 per cent of the world's sanitaryware production comes from pressure casting, and in tableware the figure is probably closer to one per cent.

Trevor Hindell, Porvair's industrial sales manager, believes that moulds for pressure casting could grow into a world market worth between \$20m and \$160m a year. The pattern will probably be for large manufacturers to make their own moulds from material bought from suppliers such as Porvair, while smaller companies buy ready-made moulds.

The main constraint on the growth of pressure casting will be the cost of installing the moulds and their associated equipment. Some medical tools under development include:

- Malaria (270m cases and 2.1bn people at risk in 103 countries); new drugs such as mefloquine and halofantrine, improved derivatives of a 2,000-year-old Chinese remedy based on wormwood (*Artemisia annua*) and vaccines.

- Lymphatic filariasis, the cause of elephantiasis (90m cases and 300m at risk in 76 countries); the drug ivermectin and monoclonal antibody and DNA probes for detecting the parasites in mosquitoes.

- Onchocerciasis or river blindness (17m cases and 50m at risk in 34 countries); ivermectin, strains of bacteria for vector control, DNA probes for the detection of parasites and the establishment of their origin.

- Leprosy (10-12m cases and 1.6m at risk in 121 countries); several drugs and vaccines.

- African sleeping sickness

(25,000 cases and 50m at risk in 36 countries); simple traps to kill carrier insects, the drug eflornithine, diagnostic kits for the detection of the disease before dangerous symptoms develop.

Governments are pressing researchers to find answers which will save lives and money, but industry has been pulling back from tropical disease research because the patients - most of whom live in the poorest countries - cannot afford the cost of developing new remedies.

The unit will help TDR to focus its limited resources on a few strategic products. It will speed the progress of research results from the frontier to the field through preclinical, clinical and field testing to safety registration. And it will forge links - and enhance many existing links - between TDR and industry.

Barry Bloom, chairman of TDR's independent scientific and technical advisory committee, says: "I have been amazed at how industry is coming forward. I have not seen such interest in working with WHO in my 27 years of involvement with the organisation."

TDR now hopes to sponsor the preclinical toxicology testing of some promising new pharmaceuticals and to organise donor support for the development of derivative molecules (which might have greater efficacy and fewer side-effects) and eventual field trials. Tom Godal, director of TDR, observes that "the companies involved would benefit from the association with a humanitarian product and the sick from a cure or new preventative measures."

The change should enable the programme to make use of the best of industry and avoid the worst, adds Peter Reeve, a former vice president of the American biotechnology enterprise Invitron Corporation. He has advised TDR on the establishment of the unit.

Private industry is unwilling to manage or fund the whole process of developing medical tools against tropical diseases, he explains, "but co-operation with TDR can ensure that their research results will not be wasted."

Thomas Land

Tropical diseases feel the heat

The UN is taking a new approach to co-ordinating worldwide research into tropical diseases. Many pharmaceutical companies have offered support to a new industrial-style product development unit established by the United Nations to revitalise research into a group of tropical diseases affecting some 500m people.

The unit, staffed by scientists, technologists and managers with strong industrial experience, has been set up to turn selected medical research products into deliverable disease control tools. It is part of the UN's Special Programme of Research and Training on Tropical Diseases (TDR), which is financed by the World Bank, the UN Development Programme and the World Health Organisation.

Tropical diseases are not solely the result of poverty. The process of industrialisation can provoke outbreaks. In Brazil the attempt to develop the Amazon is creating new breeding sites for malaria-carrying mosquitoes.

Business travellers and tourists often import tropical diseases. Britain reported 1,700 cases of malaria in 1989 and Switzerland 300 in 1988.

More than 5,000 researchers

worldwide are co-operating in the development of new drugs, vaccines, diagnostic tests and disease control techniques. Some medical tools under development include:

- Malaria (270m cases and 2.1bn people at risk in 103 countries); new drugs such as mefloquine and halofantrine, improved derivatives of a 2,000-year-old Chinese remedy based on wormwood (*Artemisia annua*) and vaccines.

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LEGAL NOTICES

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

IN RE
SEA CONTAINERS LTD.
CLASS ACTION SECURITIES
LITIGATION

Consolidated
Civil Action
No. 89-0930 (JGP)

SUMMARY NOTICE OF PENDENCY OF CLASS ACTION, CLASS DETERMINATION, SETTLEMENT, SETTLEMENT HEARING ON OCTOBER 19, 1990 at 9:30 a.m. AND RIGHT TO APPEAR

TO: ALL SHAREHOLDERS OF RECORD AND BENEFICIAL OWNERS OF COMMON AND/OR PREFERRED SHARES OF SEA CONTAINERS LTD. FROM MAY 8, 1988 THROUGH APRIL 10, 1990.

A hearing has been scheduled before this Court on October 19, 1990, to consider approval of a proposed settlement and related matters in the above-captioned action brought on behalf of two Settlement Classes, defined as follows:

Settlement Class A: All shareholders of record and beneficial owners of common and/or preferred shares of Sea Containers Ltd. from May 8, 1988 through April 10, 1990, and their successors in interest or transferees, immediate or remote, except to the extent such common shares were purchased during the period June 19, 1989 through October 31, 1989 and such shares were sold at a loss prior to March 15, 1990.

Settlement Class B: All purchasers of common shares of Sea Containers Ltd. during the period June 19, 1989 through October 31, 1989, who thereby became shareholders of record or beneficial owners of such common shares and who, at the time of purchase, subsequently sold such shares at a loss prior to March 15, 1990. If you believe you are in this Settlement Class B, please note Proofs of Claim must be completed and submitted by November 12, 1990.

If you are a member of either of the Settlement Classes and did not receive the Notice of Pendency of Class Action, Class Determination, Settlement, Settlement Hearing and Right to Appear (the "Notice"), and the Proof of Claim (for Settlement Class B members), please request copies by writing to:

The Bank of New York
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Church Street Station, Post Office Box 11242
New York, NY 10286-1242
Attention: Sea Containers Ltd. Class Action
Securities Litigation

The Notice and Proof of Claim contain important information about the litigation, including the steps members of Settlement Class B must now take to protect their rights and if the settlement is approved. Proofs of Claim must be filed by November 12, 1990. They may be heard personally or through an attorney at the October 19, 1990 hearing if, by October 9, 1990, you file with the Court and serve on counsel for the parties papers requesting to do so and setting forth your views. Counsel for the parties will be served at the following addresses: Steven J. Toll, Esq., Cohen Milstein Hausfeld & Toll, 1401 New York Avenue, N.W., Suite 600, Washington, D.C. 20005, Liaison Counsel for All Plaintiffs; and John J. McAvey, Esq., White & Case, 1747 Pennsylvania Avenue, N.W., Suite 500, Washington, D.C. 20006. If you would be a member of Settlement Class B, but you do not wish to participate in the settlement or the class action, you must, by September 17, 1990, submit your request to be excluded from the settlement to Steven G. Schulman, Esq., Milberg Weiss Bershad Spectre & Lerach, One Penn Plaza, New York, N.Y. 10119. Such a request must state, "I hereby request to be excluded from Settlement Class B in *In re Sea Containers Ltd. Class Action Securities Litigation*." Please do not contact the Court for information.

By Order of the Court
JOHN GARRETT PENN
UNITED STATES DISTRICT JUDGE
United States District Court for
the District of Columbia
333 Constitution Avenue, N.W.
Washington, D.C. 20001

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ARTS

The travails of Titian's travels

HERE IS a thought to set the pulses racing. Until October 7, you can revel in 60 works by Titian, many of them consummate masterpieces, brought from all over the world to the Doges' Palace in Venice. Titian, "father of colour," loved his city, left it only rarely and with reluctance, and all his long life wielded his paintbrush in the service of its earthly and heavenly powers. Prudent visitors to the Palazzo Ducale will make their visit in the evening, at 7pm. Sam to 1pm. You descend the staircase from "Titian's last, seemingly moving "Pieta," and there, framed in the window, is San Giorgio Maggiore, rose-pink in the setting sun. What, you might think, could be better?

Many canvases come from churches in Venice and have been recently cleaned, such as Titian's late "Annunciation." Grouping them saves shoe-leather and makes simpler the great Venetian game of juggling opening hours. On the other hand, you cannot have it both ways. Removing "The Martyrdom of St Lawrence," the darkest nocturne ever painted, leaves a gaping hole right near the door of the Gesuiti. However, the radiantly beautiful "Assumption" which started contemporaries at its unveiling in 1518, remains in the church of the Frari with the "Pessaro Madonna." Piety, too, demands that we pay our respects there at Titian's vast 15th-Century tomb.

Sponsored by Galileo Industries Ottiche, the Titian exhibition moved to the National Gallery of Art in Washington from October 26 to January 27. The question of which paintings will go to Washington is "under negotiation." But should they be going there at all? This is the first major review of Titian's art since a show in Venice in 1935, and it enjoys the exalted patronage of the Presidents of the US and Italy. Trials of delight greeted it until last week when, out of the blue sky over the lagoon, sounded an Olympian thunder-clap.

In the August issue of the *New York Review of Books*, Professor Francis Haskell of Oxford University, a respected art historian, has denounced "Titian" in particular, and international Old Master exhibitions as a whole. It is a long article, but it behoves anyone interested in the art world to read it. In the case of an artist like Titian, argues Professor Haskell, most of the great works are by now in public institutions, and therefore visible most of the time. They are extremely fragile (one of the



"Portrait of a Captain with a Cupid and a Dog"

Bellini's first version Alfonso found rather staid. It underplayed the libidinous carryings-on of Priapus and company, so the old painter made the figures more fashionable and bared more bosoms. Young Titian's role was merely to paint in the bosky crags in the background - and very beautifully he did it. Alfonso, who could recognise genius, later commissioned three brilliant mythologies from Titian, one of them being the National Gallery's "Bacchus and Ariadne." These have not gone to Venice; instead, and not at all happily, we view three late copies hung behind a veil of white gauze.

The Washington "Feast" may be marginal to the exhibition, yet it could seem peevish to grumble at giving more people a chance to enjoy it. But surely the label should reveal it is not by Titian? This is a fancily designed exhibition, but there is not a line of text to elucidate anything. There is no date, no patron's name, to chart the career of the artist who, according to Vasari, "received from heaven nothing but favours and happiness."

A controversial painting such as the mysterious martial figure from Kassel, exquisitely

overdressed in pink, finds its place without comment. So, too, does "The Concert," once again thought to show Luther, Calvin and his wife making sweet music together. That is not the case, but until recently, many scholars said it was not by Titian but his master, Giorgione.

Unless you know Titian's career by heart, it has to be a case of sweating back to the hotel with the catalogue and starting some serious holiday reading. The same was true of the momentous Velasquez exhibition in the Prado this spring. These shows are the highest of high-class entertainment, but with not even a video, they are hardly packaged as educational according to most people's expectation.

Was the "deplorable" decision to lend "The Feast" made for reasons of artistic diplomacy, along the lines of "I'll play ball and lend, if you in return . . ." Undoubtedly it is true that an element of horse-trading keeps up the momentum of the international exhibition scene. So, too, do other extraneous considerations: cultural diplomacy, regional pride, sponsorship deals, and giving curators a leg-up with their careers. These are uneasy

thoughts, but they need airing.

Instead of gaping like baby gulls for the next tasty morsel flown from overseas, we need to take a sterner look at mouth-watering exhibition schedules.

Leaving aside such stern thoughts, the Palazzo Ducale offers pleasure of a high order if you have your wits right. It is worth however, to look closer with the woodcut of "Pharaoh, Drowning in the Red Sea," to see how Titian controlled a mass of figures. Side by side hang two exceptionally lovely portraits, the "Portrait of Tommaso Mosti" and the "Man with the Torn Glove." These two young men, sleekly handsome yet dressed without ostentation, were sitting to an artist in his 30s who was absolutely secure in his technical mastery. He knew how to flatter, to paint people of the highest refinement as they wanted to appear to the world, as we see in the next room from the newly restored portraits of Duke Francesco and his wife Eleonora de Rovere.

Again and again, Titian's mastery dazzles us. In Venice there was a great tradition of painting titillating nudes; Titian could paint nudes to what even the most jaded painters. He showed Dame lying on mountainously rumpled sheets, knees parted, in a trance as she received Jupiter in a shower of golden rain.

Opposite, we see the luckiest little dog in the history of art curled against one of Titian's exquisitely lovely Venuses.

The rooms are admittedly far too small to let us appreciate a number of the late works, painted in the famous loosely dabbed style and worked over again and again, even with the artist's fingers. "The Martyrdom of St Sebastian" works, and draws one to it again and again, so compelling is the cruel image of the saint pinned down to his bed of flame.

The "Flaying of Marsyas" needs massively more space than it gets. However, the "Pieta" has the isolation it needs. We have

previously seen Titian in the two famous self-portraits, and possibly as Midas, brooding on

the torment of Marsyas. Plague was once more raging in

Venice, and here he paints the

votive image which he wanted

to be anything other than

down-to-earth sweethearts, and

call-to-arms.

The young lovers' "suspended" moments - literally, musically - are appealing but not quite magical: that kind of dreaminess is not something that Mackerras cultivates, nor does Hall want the kids to be anything other than

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THE WEEKEND AT GLYNDEBOURNE

Falstaff

Vintage Glyndebourne for sure. (1989, to be precise: Peter Hall's staging, which by now accounts has outlived splendidly. Not quite a vintage Verdi performance, I think: but with such searching and vital conducting (by Charles Mackerras), a production so ingeniously lively and such an efficient, engaging cast, you'd hardly notice. The determined trio of the entire show sets its own terms, and meets them to high satisfaction.

Not only does Mackerras bring all the expected energy and verve to Verdi's opera, but he finds a vivid sense in innumerable details that usually slip by. Often it's like viewing a newly-cleaned painting, and yet it never suggests an intrusive masquerade: the details here a clarinet phrase, there an accompanying figure on the cellos - stand out here because they light up the drama. With the London Philharmonic in top form, the Herliocian experiments (technically Verdi's most adventurous) with high harmonics, extreme treble-to-bass gaps and so forth sound brilliant. The voices are nevertheless treated with generous, unfalling tact.

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David Murray

Alison Hagley and Marek Tornowski play them accordingly. (When the screen is overtaken in Act 2, they are discovered in a fairly advanced clinch.) In the longest lines their voices don't float, but plead with wistful passion. On the other hand, they are never in any real plight: Daddy's disapproval never seems a serious threat here, nor the necessity of hoodwinking him an anxious business.

In fact Daddy - Master Ford, as presented by Jonathan Summers - is too uncomplicated to bother either the players or Falstaff much. His silliness of outwits, betrays and despairs his forceful simplicity, but innocent alike of comic or bawdry-tragic overtones: no special pain, nor any bristling menace. Again, the delightful Mistresses Ford and Anne Howells are bright, up-front creatures for whom the plot is purely a tape, not wives who have precious reputations to defend. One word can make the point, the "Dunque . . ." with which Alice Ford begins her report of Falstaff's masque: where Schwarzkopf used to invest it with a naughty, excited, sub rosa gurgle, Miss Paul Pyant's lighting richly differentiated and subtle beyond what the modest Glyndebourne stage would seem to allow. Or, indeed, the action as presented here, which is all extrovert fun without deeper shadows.

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Ronald Crichton

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This is so far less convincing. This reliable, energetic chap is clearly capable of looking after the insecure and frightened Jo Ann in the wicked world outside her room. What she needs is surely something more bizzare - less a decent boy, more a guardian angel. A certain haziness about the three characters from "Nowhere and Tomorrow" is perhaps inevitable, but since the computer wizard Merlin is a bore, only Regan the boss (the excellent Richecca Manager) makes a female voice, a lyrical point of repose of the kind Tippett writes and places so well.

As a portrait the new Pele-

grin is in the libretto to distinguished musical forbears. A magic flute and a woman without a shadow hover in the middle distance. Another, possibly chance, reference is to Rameau's *Pygmalion*, in the lesson given by two dancers to Jo Ann in the Paradise Garden scene.

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Tuesday July 31 1990

In spite of the bombs

THE British Government has adjourned its attempt to set up new talks on the political future of Northern Ireland until the end of the summer holidays. As the killing of Mr Ian Gow, the Conservative MP for Eastbourne, so clearly illustrated yesterday, the IRA is taking no such break.

The murder of Mr Gow is only the latest in a series of IRA attacks both on the British mainland and in continental Europe in the last few weeks that has been unprecedented even by IRA standards. It is no consolation to any of the victims to say that the attacks were predicted by the British authorities, but predicted – in general terms – they were.

Ever since the IRA came into possession of large quantities of the lethal and easily portable explosive, semtex, it was assumed that the terrorists would be able to strike more frequently than before, and across a wider range of targets.

It was also known that the IRA had posted a number of so-called "sleepers" across northern Europe. "Sleepers" are people who may go quietly about their normal business for years, until summoned by the IRA to pull a trigger. It is the combination of sleepers and semtex that now seems to be in action.

Terrorists alone

Something else, however, is not in action. Despite the mounting violence, there has been no call either in Britain or in the Republic of Ireland for a change in the political approach to the IRA. The terrorist organisation is out there on its own, effective only in bomb-slinging. Demands for a British military withdrawal from Ulster or for talks with the IRA's political wing, Sinn Fein, have been notable for their absence. Politically, the IRA is getting nowhere. Indeed it must be hard for the generation born after 1968 to say what the IRA is about except bomb-throwing and violence for its own sake.

Meanwhile, there has begun to be some slow progress in the attempt to get the legitimate political parties in Northern Ireland to talk to each other.

Strains in the new Germany

DESPITE the fear it provoked in the financial markets, the monetary side of German unification has been achieved with characteristically German efficiency and prudence. But as attention shifts to the real economy of employment and production, West Germans should think carefully about extending all their other economic values and institutions. Serious problems are arising already over the legal and financial aspects of unification, especially the ownership of property. But even more important in the long run will be the restructuring of the labour markets on both sides of the old East-West divide.

The Bundesbank expressed anxiety last week about the huge pay increases – in many cases adding up to more than 30 per cent – being awarded to East Germany's engineering, utility and transport workers. The Bundesbank was right to note that wage increases unmatched by productivity improvements would not accelerate the collapse of inefficient companies in the East. But in an economy with free movement of labour, how long would wage differentials of the order of 50 per cent persist?

Though monetary unification has stopped the flood of migrant workers to the West, a steady outflow of East Germans with marketable skills will continue, while even larger numbers will commute across the old border. In a homogeneous and geographically small country like Germany, very large regional differences in real wages are bound to be eroded, at least in the absence of artificial restrictions on the movement of people. At present the wage differential between the richest and poorest regions of West Germany is less than 20 per cent. It is hard to see why the wage gap between East and West Berlin should long remain wider than between Bremen and Stuttgart.

Wage cuts

In a true free market system, the narrowing of the East-West wage differential would partly be achieved by cuts in West German wages, as eastern labour undercut the West's high-cost industrial structure. Thus, it is no coincidence that the high wage deals of which the Bundesbank has been complaining were mostly negoti-

If Hong Kong had a democratically-elected government, it would be now in terrible trouble, if not on the brink of collapse. As it is, the colony's unelected administration is coming under severe pressure as it grapples with the growing complexities of the final years before sovereignty is handed back to China in 1997.

In the year that has elapsed since China's Tiananmen Square crisis, the colony's problems have taken an increasing toll on morale in its 180,000-strong civil service. Irrespective of China's pledges that Hong Kong will have a high degree of autonomy after 1997, officials realise they will in fact be working for Peking.

The result is an intensifying brain drain, and the effects are being felt in the administration as well as in the private sector.

• The Government expects a total of 55,000 people to leave the colony this year. Last year 550 civil servants said they were resigning to go abroad and another 670 to go to the private sector. This was double the level in 1987 and 1988.

• Manning problems in Hong Kong's tight labour market are causing increased strains on staff, especially the most competent.

• Trade union militancy is increasing because worries about 1997 are making civil servants push for immediate financial gains in the absence of long-term job security.

• Police recruitment has dropped 50 per cent below target, and perhaps as a result, armed crime is on the increase.

The problems go beyond staff shortages, reflecting a more deep-seated malaise. Far-reaching commercial corruption has been uncovered in the colony's legal department. Matters are made worse by interference in Hong Kong's affairs from China, which has, for example, queried plans for a new HK\$127bn (£28.5bn) airport and other infrastructure projects.

It would be exaggerating to talk of a crisis within the administration; indeed, it is possible to argue that Hong Kong's administration is still showing a remarkable resilience given the multiple difficulties with which it is faced.

"Take any emergency in Hong Kong and the civil service has coped. Like the community, it's geared to crisis," says Mr Leo Goodstadt, a former journalist who heads a government think tank formed two years ago to strengthen policy-making and analysis. "It copes whether it is fighting US planes to end China's most favoured nation trading status, which would hit the economy, or peacefully handling 1m people who suddenly erupted on the streets in June last year, or absorbing thousands of Vietnamese boatpeople, or preparing for a typhoon which could leave the place devastated. It is crisis management all the time, but with permanent structures put in place for the future."

Administration of overseas territories always becomes more difficult as the end of colonial rule approaches. Inevitably the authority of the colonial government diminishes, and new forces emerge to battle for future power. Hong Kong's problems are all the greater because it is not headed for self-rule but being

administered by a foreign power.

Even local problems have sometimes wrong-footed the old-style administration of late: witness its uncertain handling of the 1987 crash on world

John Elliott on the pressures on administrators in Hong Kong

Crisis as a way of life



Hong Kong skyline with, left, Sir David Ford, Chief Secretary, and right, the Governor, Sir David Wilson

handed back to the communist power from which most of the families making up its 5.8m population have fled.

Relationships will soon become even more complex because China is stepping up its demands to be involved during the second stage of the pre-1997 transition period which begins next year. From that point, Hong Kong government decisions have to start converging with China's wishes.

Further complicating matters, party politics are just beginning to develop in preparation for the colony's first direct elections to a legislative council in September next year. The elections will give unprecedented influence to individual candidates, vested interest groups and political parties.

For decades, the colony has been proud of having a slimline Government which has concentrated on basic, practical administration and left the task of fostering prosperity to the private sector. At that level it is often excellent, as it showed last week with its peaceful and tactful handling of some 30,000 people who unexpectedly queued in the streets for British naturalisation.

This traditional colonial-style government has, however, found itself ill-equipped to deal with more complex issues, especially ones with international or commercial ramifications.

Even local problems have sometimes wrong-footed the old-style administration of late: witness its uncertain handling of the 1987 crash on world

stock markets, when Hong Kong's markets were shut for four days and it emerged that widespread commercial corruption had been tolerated in the past; or the Government's dithering for more than three years over its telecommunications policy; or the poor personnel management which is delaying its plans to create a new hospital authority at the start of a drive to hive off parts of the Government.

In such situations, the Government gives the impression of having rushed into policy decisions, with insufficient preparation, debate and analysis. Part of the problem is a lack of democracy and political leadership. The system has been based on what might be called consultative colonialism, where consensus is reached by top civil servants, led by the governor and chief secretary, respectively Sir David Wilson and Sir David Ford, along with a secret executive council. Advisers jealously shield most policy development from public view.

The Government has not been subject to any significant checks and balances apart from the rather distant scrutiny of Whitehall and Westminster. Civil servants brought up in the old consensus system are only now learning how to handle populist pressures. Their jobs will be further complicated after next year's elections because there is no elected ministerial system, so none of the legislative council members will have a direct executive role. This means that they will be free to criticise the administrators, unfettered by the traditional responsibilities

of members of a party in power or in opposition.

In the absence of ministers to present a public face, the burden falls on the 50 or more senior officials who are having to sell their policies publicly in a way which would send shudders through the British civil service. In the process, attention has been focussed on patchy performance among some of the 20 or so top policy secretaries and 50 departmental heads.

But perhaps the most serious issue for the civil service arises from China's political clampdown last year, which has forced officials to decide whether they really believe they will be free to work in the same way as they do at present after 1997. The main fear appears to be that Chinese rule will bring increasing corruption into the Hong Kong administration.

"That is the decision I must face," says one civil servant.

"It's not so much a fear of Communism or risk of bureaucratic interference, but of the corruption, nepotism and bribery in the system."

Peking has compounded these dilemmas by threatening reprisals against Britain's new nationality legislation. The package, which received Royal Assent last week, offers the right of abode in the UK to 50,000 key people and their families as an inducement not to emigrate.

China resents this scheme, especially its application to the public sector. "China can't logically be expected to tolerate a post-1997 government here full of people who have foreign passports and rights of abode, and who can therefore fly out of the airport when things get tough," says one civil servant.

There is a fear that after 1997 China will block the promotion of civil servants who have taken the passports – which is likely to hasten the current brain drain. If too many emigrate by 1997, China could bring its own people in from Peking to fill the vacancies.

The Hong Kong Government is in any case pursuing a policy of what is called "localisation", under which ethnic Chinese are gradually replacing expatriate civil servants in all the top jobs, and many of those below, by 1997. The policy has led to premature retirement at age 57 of experienced and competent expatriates, and it has put a block on the promotion prospects of expatriate high flyers under 40. In some cases, young ethnic Chinese – many of whom have considerable potential but lack sufficient guidance from above – have been promoted too rapidly.

On the other hand, there is intense opposition to the importation from London of administrators on secondment.

Arguably, there should be more such secondments to raise standards and plug gaps in the system, but this is only happening for professional jobs in areas such as medicine, the law and engineering.

As with much else in Hong Kong, the ability of this administration to cope with Britain's final years depends on China. If, as has recently begun to seem possible, it adopts a more co-operative stance, this means that the strains will be lessened. But there will still be an urgent need for an injection of experienced talent to ease the burden on the best of Hong Kong's administrators.

ly-uncontaminated youth east of the Elbe.

Baker's fever

MONGOLIAN officials yesterday made anxious enquires about the indisposition of James Baker, the US Secretary of State. Baker spent the day bed-ridden in Singapore with a fever and thus risked upsetting when he arrives in Ulan Bator on Thursday.

A keen hunter, Baker hopes to try his luck around the southern Gobi Desert. This expedition, rather than the historic nature of visiting Mongolia in the wake of elections after 69 years under tight communist rule, is now exercising the Washington press. They claim he wants to bag an Argali wild sheep, but sides say Baker would never kill an endangered species. After his Singapore fever, Baker himself is more likely to be worrying about the Mongolian vodka, whisky and arak (fermented mare's milk) his hosts promise to pay him.

An earful

Women are more likely to laugh if a joke is told to the left ear; men, however, react better in the right ear. This theory was advanced yesterday by Dr Joanne Gallivan, a Canadian university lecturer during the eighth international conference on humour in Sheffield yesterday.

Research, she said, suggested a basic biological neurological difference in men and women. Women react more to emotion and intuition, controlled by the right side of the brain. Men respond more to logic and practical things controlled by the left side of the brain, which is fed by the left ear. In her paper, "Approaches to study gender and humour", she admitted her findings were not definitive. The response was 'ear', 'ear'.

BOOK REVIEW

Avoiding 1992's culture trap

MIND YOUR MANNERS: Culture clash in the European single market By John Mole
Industrial Society Press, £14.95

on their technical competence and powers of reasoning. In Mediterranean countries, where personal relations count for much even in large companies, apparent favouritism or corruption are actually the exercise of mutual obligations.

Visitors to Britain are advised to be suspicious of macho bosses who bluster about "managers' right to manage." That facade, the book says, often masks inefficiency, obsession with status and more confusion about the real source and nature of management authority than anywhere else in Europe.

The book's first rule of doing business in another country is, sensibly, to learn the language. The second is not to jump to conclusions. If you feel offended or angry, it is probably not because malice was intended but because you have failed to understand the internal logic which governs local business behaviour. Every country regards its way of doing things as "normal", and others as alien or irrational.

But why do the norms vary so much? Mole thinks they are based on fundamentally different concepts about how companies should be run. He divides attitudes to corporate organisation into the organic – emphasising intuition and optimism – and the systematic, with clear rules and procedures. There are also two models of leadership, the individual and the group-based.

Companies throughout Europe combine these characteristics in differing degrees. Try to merge or ally two types. Take for instance, attitudes towards official regulations. In France, they are plentiful but often ignored. In Italy, it is a matter of honour to break them, even when going by the book would be simpler. But in Germany, opportunism is seen less as a failure to organise" and "in the unlikely event that a loophole is discovered, it is customary not to exploit it but to seek a ruling from authority."

Mole is particularly astute at stripping away ritual and myth to reveal where power really resides in European companies, and how it is wielded. Only in Britain and the Netherlands, he observes, is the main source of management meetings to take important decisions. Elsewhere, they are commonly used to canvass support, issue orders or communicate decisions already made behind closed doors.

Likewise, do not expect an Italian executive's job title to tell you what he actually does.

He may owe his position less to formal qualifications than to an ability to work well with the managing director. French bosses may seem autocratic, but their effectiveness hinges

Guy de Jonquieres

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OBSERVER

Garcia learns hard way

THE metamorphosis from Peru's first citizen to ordinary citizen has begun with a rude bump for Alan Garcia. The Peruvian Congress over the weekend ignored protocol and turned a sedate hand-over by the outgoing president into something resembling the House of Commons during a poll tax.

There were catcalls and shouts of "Thief" and "Jail him", while venerable normally self-important deputies rapped their desk lids like rebellious schoolboys. Garcia was visibly shaken, his pallor contrasting with the crimson carpets and matching blotters on the offending desk lids. Three times he was prevented from commencing his address before order was restored.

Earlier opposition congressmen held up Garcia's entry for an embarrassing and unprecedented half hour on a point of protocol. The diplomatic skills of visiting guest presidents Barroso of Colombia, Alywin of Chile, Perez of Venezuela and Menem of Argentina were put to the test as they attempted to make relaxed small talk.

The events gave plausibility to Garcia's uncharacteristically brief speech. He had learned a lot in five years, he admitted. "It is one thing to hope, to dream – to govern is another." Nevertheless, he is still keen to try for the presidency in five years time.

Brain power

BRITISH academics, howling about how universities are forced to fend for themselves by a tight-fisted government, can learn a lesson from a remarkable experiment conducted by Liverpool University.

Five years ago the university decided to build its own gas-fired power station at a cost



The sweetener always floats to the top

of £2m. Internal critics pointed to the risks involved and questioned whether this was the right use for some of the university's reserves. Now Professor Graeme Davies, the vice-chancellor, says the results have taken the wind from the sails of all the remaining critics. The 5.3 megawatt generator has paid back the original investment in four years instead of the forecast seven, and has even been earning extra by selling surplus power to the national grid during off-peak hours.

Coopers & Lybrand Deloitte, the university's auditors, have also been able to use the power station to protect the university from the recently-imposed decision that institutions of higher learning should lose their zero rating for VAT. Coopers discovered VAT could not be imposed on pre-existing contracts, so the university negotiated a five-year one with its power station the day before the new ruling came in. Savings of up to £300,000 are likely and a consultancy company has been created to help others set up their own power plants. The first order has come from Birmingham University.

Meckel's recent nomination of a new ambassador to Paris – a 29-year-old pastor, whose accreditation to the Elysée will be one of the shortest ever – has raised eyebrows in the Bonn Foreign Ministry. Mindful of the problems over bringing together the two countries' diplomatic services, Hans-Dietrich Genscher, the Foreign Minister, wants to prune East Germany's overblown ambassadorial ranks.

East Germany has some 4,000 diplomatic personnel compared to Bonn's 7,000, most of whom being former Communist party members unsuitable once the two systems merge. Genscher is nevertheless determined to do his bit for togetherness. The Bonn Foreign Ministry starts an advertisement campaign in East German newspapers this week for diplomatic talent among ideological

survivors. The Foreign Ministry has some 2,000 posts to fill, mostly in the areas of politics, economics and culture. The Foreign Ministry has some 2,000 posts to fill, mostly in the areas of politics, economics and culture. The Foreign Ministry has some 2,000 posts to fill, mostly in the areas of politics, economics and culture. The Foreign Ministry has some 2,000 posts to fill, mostly in the areas of politics, economics and culture. The Foreign Ministry has some 2,000 posts to fill, mostly in the

Transport Policy

Taxes good, subsidies bad

Low fares increase fuel consumption, argues David Sawers

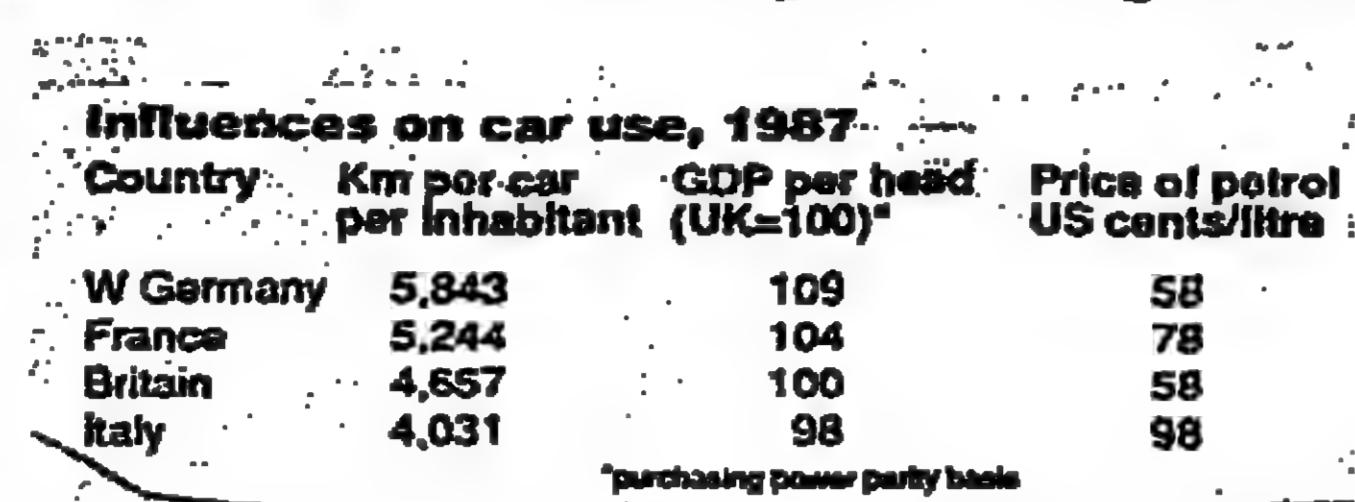
Ractions to the Government's refusal to consider subsidies for the high-speed railway to the Channel Tunnel showed how strong is the British belief in the virtues of public transport – so long as its vehicles have wheels. Wings, in this context, are not angelic, and a railway that competes with airlines deserves its subsidy.

The strength of this belief in subsidising public transport seems partly a reaction to the present Government's efforts to reduce subsidies. Such a policy is bound to be opposed by the travelling public, employees of the subsidised services, who create a vocal and well-organised lobby in support of the belief that subsidies for public transport are always good. However, it was not long ago that the experience of the 1970s created disillusion about the benefits of subsidies, because increasing subsidies had been associated with rising costs and had had little effect on the growth of car traffic.

The evidence from the work of transport economists also suggests that subsidies are not a very effective method of transferring traffic from private to public transport. Subsidies to urban public transport increased rapidly during the 1970s in most industrialised countries. In Britain, for example, they rose from 9 per cent to 29 per cent of costs between 1970 and 1975. In many countries, this increase in subsidies went with falling productivity and rising costs – because load factors fell – and in some, part of the subsidy appeared to go into employing extra staff or increasing their pay.

One study of urban transport in 15 industrialised countries by the British Transport and Road Research Laboratory concluded that an increase of 10 per cent in subsidy was associated with a reduction of 1.5 to 3 per cent in productivity and an increase of 4 to 6 per cent in costs. A subsidy increase of 10 per cent seemed to produce a fall of 5 per cent in fares, which led to a rise of 2 to 3 per cent in traffic in the long term.

Most of any increase in traffic will usually represent additional travelling by existing users of public transport, not a transfer from cars. Public transport is not a close substitute for car travel, because it



Source: Transport & Environment

does not call at homes and point-to-point journeys are therefore faster – and more comfortable – by car.

In terms of money plus the value of time and convenience the car usually gives cheaper travel than public transport. If public transport were free, car travel would be better value in most circumstances. However, increasing the frequency of public services reduces the average journey time, and so reduces the cost in terms of time plus cash outlays – the "generalised cost" of travel.

Estimates of the effect of subsidies on car traffic are even more uncertain than those for the effect of subsidies on public transport.

Studies suggest that a 10 per cent reduction in generalised cost may produce a reduction of from nothing to 3 per cent in car ownership, thus a 10 per cent subsidy would have about half this effect.

The most effective British experiment in subsidised public transport was in South Yorkshire, where the local authority pegged fares at the 1975 level until 1985. Real fares fell about 50 per cent by 1980, while the frequency of services had increased by about 10 per cent. Subsidy then covered more than 60 per cent of costs.

A study by the Oxford University Transport Studies Unit found that bus travel rose 3 per cent, compared with a fall of 23 per cent in other areas. Car ownership in the area by 1981 was about 6 per cent lower than a comparison with the

adjoining county of West Yorkshire suggested it might have been, with the reduction wholly in the number of two-car households.

The additional travel was mostly in leisure and shopping journeys by young people, some of whom seem to have been encouraged to postpone the purchase of cars by the cheapness and quality of the public transport. The extra travel was thus mostly in optional trips, and the reduced car ownership was of cars which would have been little used. Commuting by car did not seem to have been reduced, but car owners did use buses more often and may therefore have used their cars less.

The social objective is to reduce energy consumption, subsidies do not produce enough social benefits to offset the loss to taxpayers.

A rational transport policy would use taxation and charges to influence behaviour. If it is socially desirable to reduce emissions of carbon, the price of fuel should be increased. Such an increase need not be inflationary, because other indirect taxes can be reduced proportionately. If fuel costs more, the evidence shows that people will travel less, and choose more fuel-efficient methods of travel, whether they are smaller cars, buses or trains.

Any increase in the demand for public transport will make additional investment in transport profitable and its quality will be improved. Subsidies for public transport represent selective reductions in the price of fuel at the expense of the taxpayer. Does that make a sensible policy?

The author is an economic consultant.

LETTERS

Europe and IT

From Mr Ian Mackintosh.

Sir, May I offer a corrective to Guy de Jonquieres's doom-and-gloom about the European information technology (IT) industry ("Shadows over the sunsector," 25 July).

The last decade began with the European-owned IT industry apparently in a state of terminal decay. Dominated by rapid rates of technical innovation, heavy costs of research and development, daunting capital costs and dramatic economies of scale – Europe's IT/electronics sector was seriously fragmented. In the early 1980s, for example, western Europe had about 15 computer manufacturers, 18 consumer electronics firms, 17 semiconductor (chip) makers (of which, incredibly, four were British), 10 suppliers of telecommunications equipment (compared with six for the US and Japan combined) and so on.

In short, for a variety of reasons, and with only a handful of honourable exceptions, Europe contained a raggle-taggle bag of technological pygmies, mainly concentrating on their own relatively small national markets, and trying to compete with foreign behemoths, all of whom were concentrating their world-embracing attentions increasingly on Europe in a quest for yet more sales to keep their ever-expanding factories busy.

To complete this disaster scenario, the European producers' share of free-world IT/electronics markets had been declining throughout the decade, their average R&D spend was well below US and Japanese levels and declining. Many European-designed IT products were manifestly inferior and Europe's IT trade balance, roughly in balance in 1977, was negative and getting worse.

It is against that background of where we were heading that we need to measure Europe's present condition, rather than by some chimera world-em-

Every owner for himself

From Mr James McFarlane.

Sir, Except on one point, it is hard to quarrel with your editorial comment on the impending acquisition of ICL by Fujitsu. You are right that sound technology is a better foundation for business than reliance on subsidies and protection, which hurt consumers.

But I quarrel with your seeming indifference to the location of business ownership. Owners like to control their businesses – indeed, it is the reason for buying them. I think the Japanese owners will, very properly, control their property in their own interest. The Briti-

sh, or European, interest will be quite secondary.

So rather than surrendering control of our productive capacity to others, we should find the spirit and the means to compete with them. It would be helpful if our Government, and influential organs of opinion such as the FT, were less uncaring. If the nation is indifferent to the national interest, individual companies cannot be expected to sustain it at their own cost.

James McFarlane,
24 Broad Street,
Ludlow,
Shropshire

• There are now only three major European telecommunications manufacturers and, almost unbelievably, all of the major public telephone operators (PTOs) have come – albeit belatedly – to recognise the overwhelming attractions of digital electronics.

The computer sector, it is true, is in poor shape and it may be time for Brussels to look at what might be done to revitalise this important sector.

But overall, thanks to the last decade's often painful wave of consolidation, European IT companies can now take on the world. They have a clear perception of what they have to do, their technological base is vastly improved and they are run by a fresh generation of managers who, by and large, are on par with the international competitors.

The Building Employers Confederation, the 9,500 members of which account for over three quarters of total building industry output, strongly condemns the operation of cartels.

Building is a highly competi-

Picking at the wrong bone

From Mr John Owens.

Sir, Your headline "Watchdog has a bone to pick with the builders" (July 25) is misleading because it suggests that the building industry is being criticised for operating price-fixing cartels.

In fact, the examples given relate to the suppliers of certain building materials, and not to the construction industry itself.

The Building Employers Confederation, the 9,500 members of which account for over three quarters of total building industry output, strongly condemns the operation of cartels.

Building is a highly competi-

tive industry. The whole ethos of the free enterprise building industry is governed by keen and vigorous competition which gives our customers value for money.

Contrary to the situation suggested by your headline, it is the builders and their clients who are the victims of price-fixing agreements and we would not hesitate to draw to the attention of the Office of Fair Trading any evidence our members can provide of such practices.

John Owens,
Director General,
Building Employers Federation,
22 New Cavendish Street, W1

A-level breadth and narrowness

From Mr Peter Prowse.

Sir, Michael Prowse's latest report on the urgent need to reorganise education for 16-19 year olds ("In search of patches of esteem," July 16) and his criticism of government inertia are helpful and salutary.

However, his analysis of the academic-technical divide and his view of A-level "narrowness" surely needs refinement? It is hard to believe, for example, that the low standing of technical education is simply related to the high value placed by all on "abstract concepts." If pupils are so unusual as to place a high value on abstract concepts, they are presumably candidates for university education.

Mr Prowse continues to see A levels as synonymous with narrowness and narrowness with "second-rate" education, while ignoring the content of A-level syllabuses and the totality of the education that

Mikhail Poltoranin is, if not the right hand man of Boris Yeltsin, certainly his confidant and a faithful articulator of his views.

Last time I saw him, in September 1987, Mr Poltoranin was editor of *Moskovskaya Pravda*, the organ of the Moscow branch of the Communist Party, then headed by Mr Yeltsin. Over his desk was a photograph of Lenin reading the proofs of the paper, and Mr Poltoranin sported a party badge on his lapel. Yet even then I remember him taking aside a question about the approaching 70th anniversary of the October revolution – "we spend too much time on all those anniversaries" – in order to carry on fulminating about the problems faced by Moscow citizens in the here and now: the lack of food in the shops, the housing crisis, the obstructive attitude of the bureaucracy.

Soon after that meeting Mr Yeltsin lost his job and Mr Poltoranin fell with him. But in the turbulence of the last three years Mr Yeltsin's coat-tails have proved good ones to be attached to.

Last week I visited Mr Poltoranin again, and found him in an even more spacious office in a charming late 18th century palace built for one of Catherine the Great's illegitimate sons. Mr Poltoranin is now information minister in the government of the Russian Federation, and a new badge on his lapel proclaims him a

member of the KGB.

Russia's transpires, has all

these years been the most

exploited and down trodden of

all the 15 Soviet republics

(even though the other 14 were

duped into thinking it was

Russia that was doing the

exploiting and down reading.

Russia is now setting out to

save itself and – Mr Poltoranin thinks – it also has one

last chance to save the Union,

by freely negotiating a new

treaty with the other republics.

The alternative, he claims, if

the centre persists in trying to

impose its authority, is "a civil

war, which in our situation

would be a nuclear one."

In the current power strug-

gle between the Russian Gov-

ernment and the Union, the latter

has the upper hand.

The Party has had to

rethink its strategy and

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INSIDE

Big quarterly loss at Circle K

Circle K, the second biggest US convenience store chain, which has been operating under protection of Chapter 11 of the Federal Bankruptcy code since May 15, yesterday reported a large loss for its fourth quarter. The company was pushed into filing for bankruptcy protection partly because of its \$1.1bn of debt, incurred during a six-year expansion programme when Circle K quadrupled its store base to more than 4,600. Page 28

Molins head enters academia

Michael Wright (left) is stepping down as managing director of Molins the British cigarette machinery maker to pursue an academic career. In the last three years, Mr Wright has helped Molins ward off three hostile bids - the group is currently fighting an attempt by Leucadia, the US manufacturing and financial services company, to win control of its board. Yesterday, Molins announced a small increase in interim profits to £7m (\$12.5m) helped by a pension fund surplus. Page 33

Merck and Du Pont in venture

A series of consolidations is creating a trimmer look for the \$150bn-a-year world drugs business. The latest move comes from Merck, the world's biggest prescription drug company, and Du Pont, the largest US chemicals group. They have set up a joint venture, Du Pont-Merck Pharmaceuticals, prompted by the high costs of research, development, and marketing. Karen Zagor and Peter Marsh report. Page 28

Warning: volatile road

The European truck industry is normally cyclical. But this year more than most, manufacturers are discovering what it means to be flexible as they navigate through a period of extreme peaks and troughs. Haig Simonian charts the progress of Iveco, the truck subsidiary of Italy's Fiat group, as it responds simultaneously to a severe downturn in the UK truck market and buoyant demand in West Germany. Page 24

Eyes focused overseas

Dickson Poon, one of Hong Kong's youngest and most stylish entrepreneurs, is about to restructure Dickson Concepts, the luxury goods business which he started 10 years ago as a single watch and jewellery shop. Like many of his neighbours, Mr Poon plans to safeguard against Hong Kong's return to Chinese sovereignty in 1997 by shifting his corporate focus overseas. Page 25

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Chief price changes yesterday

FRANKFURT (DAX)		Locations	499	+ 19
Blaauw	486	Pharos	499	+ 19
Lehman	865	Pharos	499	+ 19
Sal-Den	790	BC	651	- 17
Paribas	865	Novartis	670	- 30
BMS	570	Pofet	565	- 23
DHL	770	St Gobain	513	- 11
Menzies	700	TOKYO (Yen)		
Reisen	75	Mits	2540	+ 220
Wang Lab	414	Asano	4800	+ 310
Microsoft	80	Yulog Int	765	+ 53
Postbank	773	Pharos	760	- 10
UAL	150	Nippon Metal	1140	- 80
PARIS (PME)	676	Tokyo Shimb	1220	- 110
Reisen	600	Tokyo Taito	1220	- 110
Coperni	600			

Wang records \$497m loss in fourth quarter

By Louise Kehoe in San Francisco

WANG Laboratories, the struggling US office computer manufacturer, yesterday reported a fourth-quarter net loss of \$496.7m, but said it expects to return to the black in fiscal 1991, which began July 1. The group also announced that it plans about 1,000 job cuts in coming months.

Wang said it achieved its fourth-quarter goal of balancing operating revenues and expenses. Losses from continuing operations were sharply reduced in the fourth quarter to \$5.6m from \$46.7m in the same period last year.

The net loss, which was equivalent to \$3.01 per share, was struck after restructuring and other charges of \$417.4m and a year-end adjustment of \$2.2m. It compared with a net loss of \$74.7m, or \$2.29 per share, for last year's fourth quarter.

Revenues from continuing operations totalled \$632.2m in the fourth quarter, compared with a restated \$750.9m in the same period last year.

Wang said that it has eliminated much of its bank debt, which totalled \$575m last August, through the sale of assets including its share in a European property subsidiary. Debts have been reduced to approximately \$30m and should be paid off within a few months, the company said.

Ratners to meet Kay bondholders

By Karen Zagor in New York

RATNERS Group, the UK jewellery retailer which has offered to acquire Kay Jewelers of the US in a deal valued at \$12.2m, is meeting today with Kay's disgruntled bondholders.

They feel they are not getting as good a deal as the group's stockholders and are threatening to scuttle the deal.

Ratners is offering Kay's shareholders a stock swap valued at about \$17-a-share. Bondholders are being offered 75 per cent of face value for their \$150m of outstanding Kay junk bonds.

If the deal is to go through, more than 50 per cent of the bonds will have to be tendered by August 6, although Ratners has the right to vary these conditions. Ms Deborah Pederson, an analyst at IDS Financial Services, one of Kay's largest bond hold-

ers, says at least 90 per cent of the holders of Kay's 12% per cent senior subordinated notes and almost 90 per cent of the holders of its 12% per cent senior subordinated notes do not plan to tender their bonds under the current offer.

Holders of Kay's \$100m of 12% notes have a loan covenant which could force any buyer of Kay to redeem the bonds at full face value. Bondholders legally have the first claim on Kay's assets. "We paid for the protection covenant by accepting a lower coupon," said Ms Pederson.

At midday yesterday, Kay's stock was trading at \$124, down 30 on the New York Stock Exchange, while the company's 12% per cent bonds had a bid price of about 83 cents.

Lex, Page 22

M R ARTHUR WALSH, STC's chairman, believes that "macho" considerations, such as preserving British ownership of national champions, should not enter into business decisions.

This belief found powerful expression yesterday when he announced the sale of 80 per cent of STC's computing subsidiary, to Fujitsu of Japan. After disposing of Britain's leading computer company to overseas interests, STC's second-largest telecoms manufacturer and also owned by STC, going the same way?

The sale of ICL provides STC with a vast war chest which it plans to use to transform its telecommunications business into a world class player its current second or third division status. This could be achieved by knitting together a group of other small to middling players to create a new force in the industry. Alternatively, STC could sell itself to one of the larger international telecommunications groups, in much the same way that ICL has been sold to one of the top computer companies.

Displaying his usual pragmatism, Mr Walsh yesterday refused to be pinned down as to which of the two strategies he preferred or thought was the most likely outcome. "I would hope shareholders have the opportunity to judge for themselves. I don't know because I do not know what the opportunities will be," he said.

The restructuring of STC has been forced by the realisation that it was not big enough to be a major player in both the telecommunications and computing businesses. It therefore decided to sell the computing business and focus on telecommunications.

One consequence has been that it has had to abandon its previous strategy of reaping the rewards from convergence of communications and computing technologies. This goal, much in vogue in the 1980s, has also been abandoned by giants such as IBM and AT&T, leaving Japanese groups such as Fujitsu and NEC the only believers in convergence.

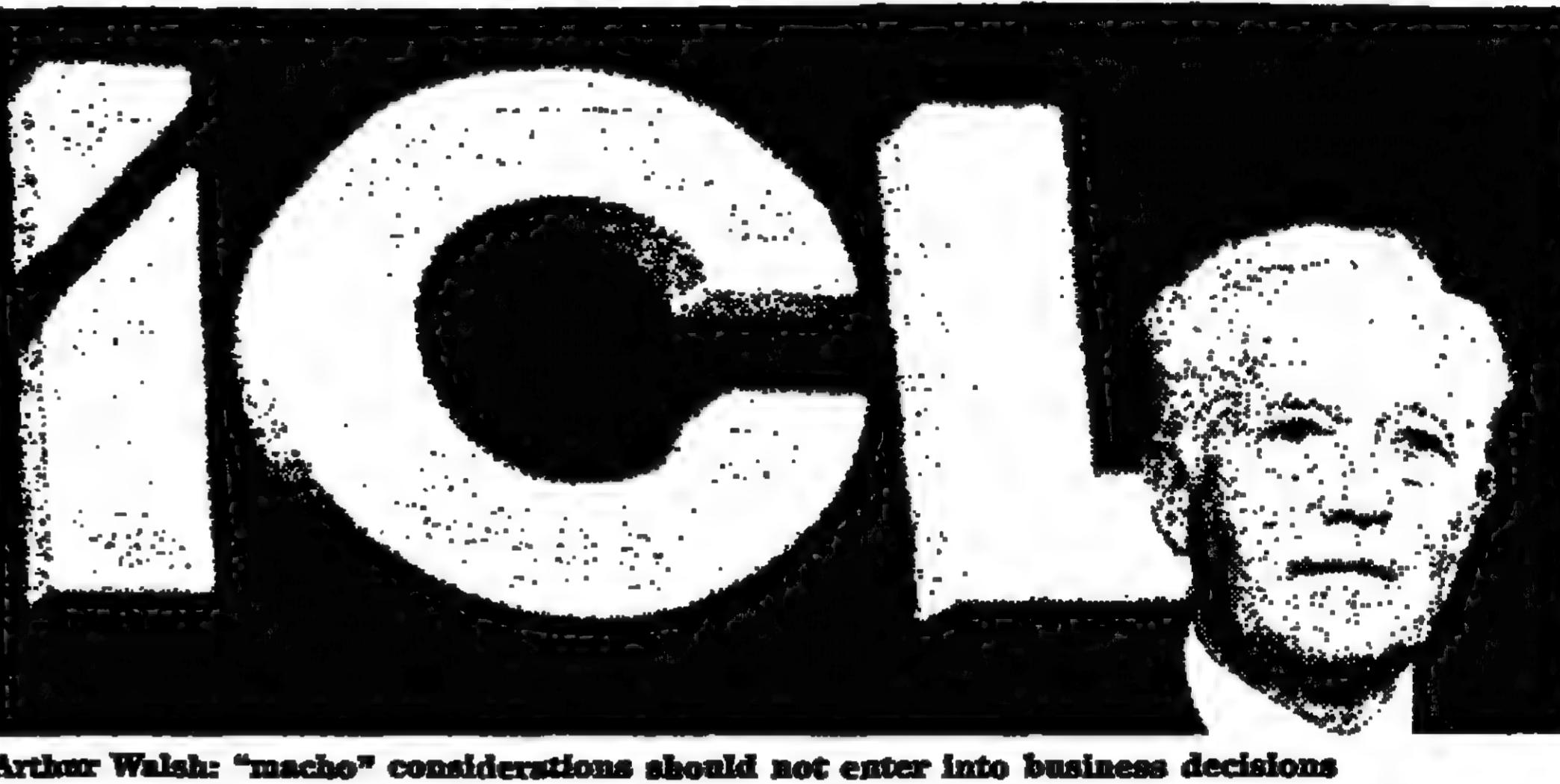
Building STC into a world class telecommunications group will be a great challenge. Its major strength is its expertise in fibre optic cables and intelligent transmission systems. Its major weakness is its heavy dependence on British Telecom. This was underlined yesterday when STC reported that a 26 per cent cut in deliveries to BT was largely responsible for its operating profits from telecommunications dropping by more than a half.

The dependence on BT, which still accounts for 55 per cent of STC's telecommunications business, not only makes it vulnerable to the vagaries of one company's spending programme but also means the group is incurring huge research and development costs to serve only one customer.

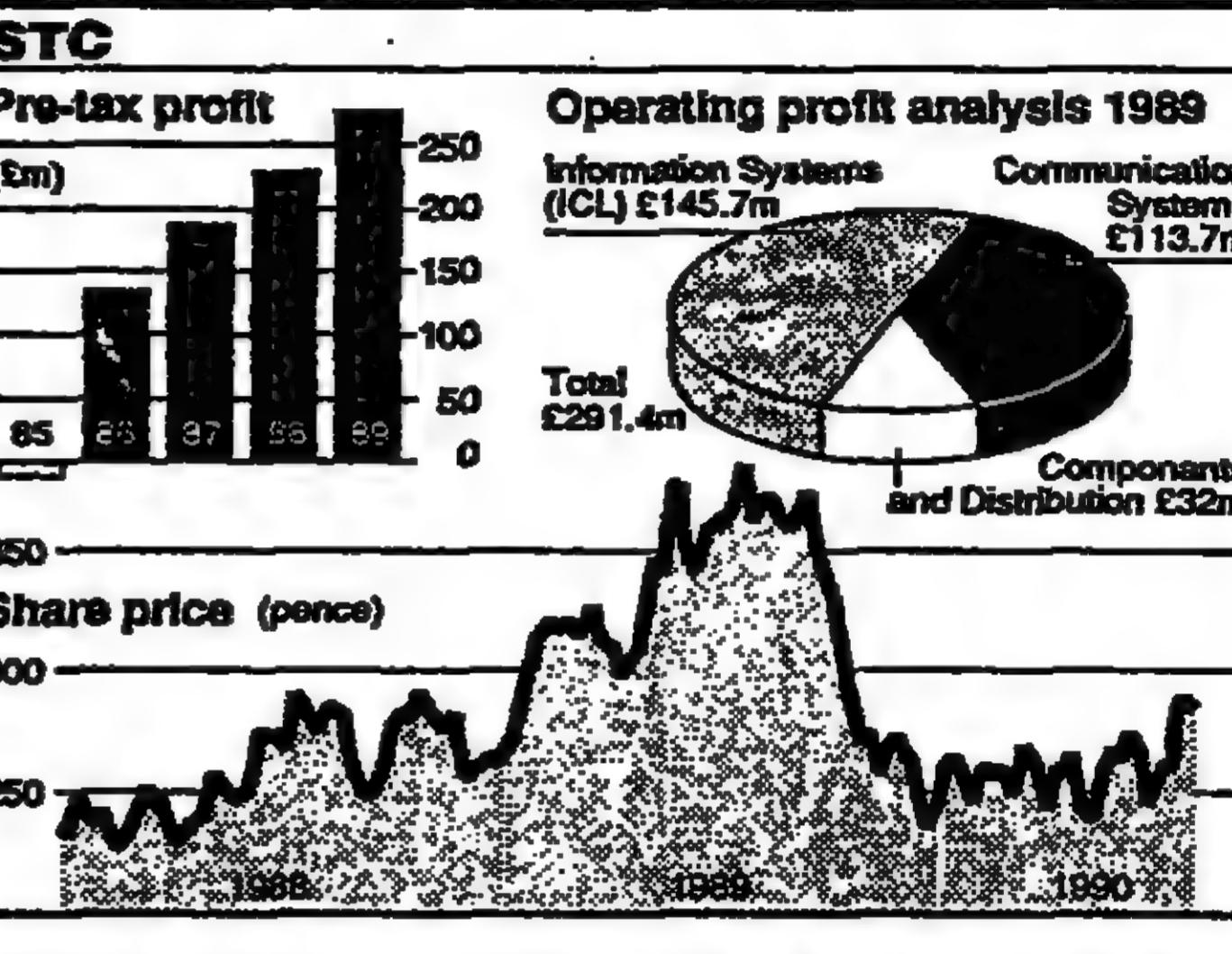
This mattered little in the past, when foreign telecommunications markets were largely closed to STC and the UK's market was closed to foreigners. However,

STC weighs its options for the global challenge

Hugo Dixon looks at plans to transform the group into a world class player in the telecoms sector



Arthur Walsh: "macho" considerations should not enter into business decisions



necessarily resist it." Mr Walsh said. "It depends on the price."

Nortel has refused to comment on its strategy towards STC, but analysts believe that the British group could be more attractive now that it no longer owns ICL. The Canadian company has made no secret of the fact that it is more interested in telecommunications than in computers. The second way forward could be to form an alliance with a large telecommunications group by selling it a minority share. Fujitsu has told STC that, now it has completed the negotiations on ICL, it would like to talk about co-operation in telecommunications.

The third way forward would be to knit together a group of smaller European telecommunications companies with expertise in transmission systems, the area upon which STC has concentrated. It was difficult to put together a European solution for computers because everybody wanted to be boss, leading to the sale of ICL to Fujitsu.

There is no reason to suppose that the same will not prevail in telecommunications. This raises the prospect that Mr Walsh, who is rare in not caring about machismo, may conclude his shareholders are best served by an outright sale.

Lex, Page 22; STC results, Page 31; Japanese link, Page 31

Dresdner Bank advances 8.9% to DM956m in first half

By Our Financial Staff

DRESDNER BANK, West Germany's second-largest bank group, yesterday reported an 8.9 per cent rise in first half group operating profit and said it expected 1990 group earnings to surpass 1989's record levels.

Group partial operating profit rose to DM956.1m (\$580.1m) in the first half of 1990 from DM787.1m in the opening half of 1989. Partial operating data are before taxes and exclude gains or losses from the company's trading operations for its own account.

Parent company partial operating profit grew 23.8 per cent in the first half to DM603.8m from the year-earlier DM447.7m. Dresdner said parent company business volume was likely to grow a strong 25 per cent in the next two years.

"Our success will continue. We're assuming there will be a rise in profits above last year's outstanding performance," Mr

Wolfgang Röller, management board chairman, told the bank's semi-annual news conference.

"Very positive first half developments and the continuing favourable prospects for our economy lead us to expect this year will end with a good overall result," Mr Röller said.

Mr Röller said that in forecasting a higher 1990 profit, Dresdner had taken into account costs resulting from its second half investment in expanding its network of branches in East Germany. The cost of setting up a further 50 branches on top of the current 107 would exceed DM100m, he said.

"We expect (business volume) to grow a full 25 per cent in the next two years," he said, adding a sizeable contribution would come from business in East Ger-

many. The bank characterised the full operating profit for the group in the first half as "developing clearly more favourably" than the partial figures. For the parent bank, full operating profit attained "double-digit" growth, Dresdner said.

Separately, Bayreuther Vereinsbank, the large West German mortgage and commercial banking group, said yesterday that partial group operating profit rose 3.7 per cent in the first half of 1990. It cited higher mortgage lending and a general rise in overall loan business for the rise to DM423m in the first half from DM406m a year earlier.

Full first-half operating profit was higher than half of the 1989 operating profit, the bank said, without giving details. The Munich-based bank said its group balance sheet total rose 2.7 per cent to DM178.3bn on June 30 from DM173.8bn at end 1989.

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INTERNATIONAL COMPANIES AND FINANCE

GM chief's baby arrives just in time for retirement

By Martin Dickson in New York

AT EXACTLY 10:57 am Tennessee-time, Mr Roger Smith kept a long-standing date with industrial destiny yesterday - but only just, and then in the privacy of his own factory.

It was many years ago when the chairman of General Motors vowed that, before he retired, he would drive the first of the company's new Saturn model cars off the assembly line at Spring Hill, Tennessee.

Yesterday morning he did just that, steering a red four-door sedan off the line. But the ceremony gave a new meaning to the concept of "just-in-time manufacturing": Mr Smith retires from General Motors tomorrow.

Saturn, which is of immense importance to GM's prestige, has been a special baby of Mr Smith's ever since the company began planning the innovative small-car back in the early 1980s. "Without Roger, there wouldn't be a Saturn," said Mr Richard Lefauve, pres-

ident of the project, at yesterday's gathering.

Saturn was conceived eight years ago as an all-out American attempt to beat the Japanese in the small car market by starting from scratch - building a new car, in a new plant, using new labour practices and an entirely new dealer network.

Yesterday's ceremony was a small family affair at the world's largest industrial company, no press by request.

The official reason for excluding the press is that GM does not wish Saturn's autumn launch into the US market to be compromised by half-baked advance publicity. It was also to allow Mr Smith to talk quietly to workers on the project - known as "team members" - to reflect a new spirit of labour relations.

But there have been suggestions the company does not wish to have Saturn's association with GM highlighted too greatly in the media just before

it starts trying to lure the buyers of Japanese cars who would not normally consider an American model.

Saturn aims to take some 80 per cent of its sales from non-GM brands, but it has a tough task as it is driving into an extremely crowded part of the small-car market.

Many of the project's original ambitions goals - including the scale of the operation and an aspiration to totally paperless, computerised manufacturing - have had to be scaled back, while others have been overtaken by changes in the market-place.

And while Wall Street analysts believe that Saturn will prove a very strong competitor, produced in an impressive state-of-the-art plant, they question whether it will make money for GM for years.

GM may be praying that no one attaches to the fate of the car Mr Smith drove yesterday: it will go straight into the company's museum.

Co op to sell shops to REWE

By Our Financial Staff

REWE, the West German private retailer has agreed with Co op, the struggling food retailer, to take over its stores in the south and south-east of West Germany in October. Co op said:

The sale of the 400 shops employing 6,000 workers was a further step in restructuring the company, Co op said. The 400 stores had a turnover of DM1.8bn (\$1.1bn) in 1988.

Co op was rescued from bankruptcy last year when a creditor bank agreed to forgive a large part of its debt. It declined to give a price for the REWE deal, but said cash from REWE had contributed to the costs of restructuring Co op.

Co op said last week it had sold 47 Plaza stores to the French distribution group Promodes. Last month it said it was selling 120 West Berlin stores to the East German VDK retailing chain. Co op has also agreed a purchasing pact with West German retailer Edeka Zentrale, effective from January 1.

COMPANY NEWS IN BRIEF

TWO COMPANIES at the centre of the Everso group, controlled by Hong Kong's Lau brothers, were suspended by the colony's takeover committee yesterday as rumours continued to circulate about a possible bid from a Taiwanese investor, writes Angus Foster in Hong Kong.

The companies, Everso International and Chinese Estates, were apparently suspended at their own request following price rises last Friday.

The future of both companies has been unclear since a prominent Taiwanese investor, Mr C. S. Hwang, announced at the beginning of this month that he was considering making a bid for control of the Lau empire.

Mercedes-Benz, a New Jersey-based unit of Daimler-Benz, is to realign its field organisation and decentralise operational functions now done at the company's headquarters.

The restructuring, which should be in effect by the end of the year, is an effort to respond better to both regional

market differences and dealer and customer needs, Reuter reports.

The change will not involve job cuts, the company said. In fact, Mercedes said it will increase its field staff by about 35 per cent to more than 330 employees.

■ Group Bull, the French computer maker announced a loss of FF1.25bn (\$347m) in the first half of 1990, worsening from a loss of FF1.05bn in the year-earlier period. The results were revealed in yesterday's Financial Times.

Consolidated revenue was FF11.59bn in the first six months of the year, up slightly from FF11.3bn in the first half of 1989.

■ Banco Espanol de Credito (Banco) reported that pre-tax profit surged 17.2 per cent in the first half of 1990 to Pta35.29bn (\$356m), AP-DJ reports.

Financial revenue grew 33 per cent in the first half to Pta212.29bn, lifted by a 40.7 per cent jump in loans and financial instruments.

It starts trying to lure the buyers of Japanese cars who would not normally consider an American model.

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Hafslund profits slip in second quarter

By Karen Fossli in Oslo

HAFSLUND NYCOMED, the pharmaceutical concern which is one of Norway's largest publicly quoted companies, saw second-quarter profits before extraordinary items slip to Nkr265m (\$41m) from Nkr283m in the first quarter.

Hafslund, best known for its X-ray contrast media which help to produce clearer X-ray pictures, forecast that earnings growth in 1990 is expected to be lower than in the longer term. This is because the full effect of restructuring following a recent Austrian acquisition will not be felt until 1991.

Despite the second-quarter downturn, group half-year profits before extraordinary items rose from Nkr510m in the first half of 1989 to Nkr538m on sales and royalties from Nkr1.902bn, up from Nkr1.827bn in 1988. Operating revenue in the second quarter fell to Nkr912m from Nkr980m in the first quarter.

Hafslund said markets for both Onnippaque bulk substance, a non-ionic contrast medium for enhancing X-ray pictures which is the backbone of the company's imaging division, and finished products continued to show satisfactory growth.

Domestic pharmaceutical sales developed positively in the first half of 1990, but overall lower prices were offset by higher production volumes.

Research and development costs in the first half rose to Nkr1.234m from Nkr1.151m in 1989 and are forecast to nearly double to Nkr1.600m for the year as a whole.

Hafslund said the restructuring of CT Pharma, an Austrian pharmaceuticals company in which it last year acquired a 55 per cent stake, is expected to be completed this year.

For the individual divisions, Nycomed Imaging saw a 15 per cent rise in half-year operating revenue to Nkr854m and operating profit rose by 14 per cent to Nkr485m.

Nycomed Pharma increased half-year operating revenue by 34 per cent to Nkr1.258m and operating profits more than doubled to Nkr67m.

Iveco negotiates a rough road

Italy's truck maker plans a flexible route, writes Haig Simonian

Europe's truck makers know the peaks and valleys of economic cycles better than most manufacturers. But this year's ups and downs in the European market for lorries and heavy vehicles have been testing even their abilities to navigate.

Few have as many obstacles to negotiate as Iveco, the trucks subsidiary of Italy's Fiat Group, which is strongly represented in both the UK and West Germany - the two markets showing the greatest volatility - through its Iveco-Ford joint venture in the UK and through Iveco Magirus in Germany.

While UK hauliers, stunned by high interest rates and the economic downturn, are trying to eke out every extra mile from their battered old vehicles, their counterparts in Germany, buoyed by new business prospects to the east, can hardly wait to snap up the latest models.

Registrations in the UK for trucks of 16 tonnes and above - the "heavies" which may best reflect long-term economic expectations - dropped by 32 per cent in the first quarter of this year and by 37 per cent in April and May, compared with the same periods last year.

By contrast, German registrations of similar class vehicles accelerated by 25 per cent and 21 per cent in the two periods respectively. And that shift is particularly striking in view of the traditional stability of the German market, which has been seldom characterised by sharp changes.

For Iveco, the current buoyancy in Germany is not enough to compensate for the scale of the fall in the UK, explains Mr Giorgio Garuzzo, chief executive. The Iveco Magirus operation, based at Ulm in Bavaria, only has around 12.2 per cent of the German market, against some 80 per cent for Daimler-Benz and MAN combined.

That is a far cry from the situation in the UK, where high interest rates and the slowdown in economic growth have come as a cold shower to hauliers, he says.

Despite the annual upward dip in sales in August thanks to the new registration year, senior managers at the company's Langley plant have recently pushed back their forecasts for a recovery to the final quarter of this year.

Mr Garuzzo plans smooth production changes in the range of vehicles

ducer, for which it was one of the bidders last year.

Mr Garuzzo stresses the company has no plans to re-open negotiations with the Spanish Government following the difficulties which have emerged over Enasa's planned sale to Daimler-Benz and MAN of West Germany, culminating in MAN's withdrawal earlier this month as the principal partner.

Iveco has kept to the sidelines and matters are now in the hands of the Spanish Government, he says. But while the Italians have not been contacted by Madrid, "we will consider with due diligence any proposal coming from any government."

However, three factors have changed, since the original frenzied bidding for Enasa. The West European market has dropped from last year's record of 515,000 units, with single digit percentage point falls likely over the next three years, according to Mr Garuzzo. Meanwhile, new business prospects in the east have attracted attention from west Europe. And even the formerly robust Spanish market has not been immune from the European downturn.

The two companies will jointly develop a range of new medium-sized 6.8 litre truck engines, which they will then use independently.

The collaboration with Nissan, sought by Iveco, has not softened the Fiat group's well-known opposition to unrestricted imports of Japanese cars into Europe, nor Mr Garuzzo's own antipathy to the entry of Japanese truck manufacturers into what he thinks is an already overcrowded market.

But as for the engine project concerned, "we are very happy, and I believe they are also very happy," he says.



Giorgio Garuzzo plans smooth production changes in the range of vehicles

ing the new generation of less polluting diesel engines which Mr Garuzzo thinks will be the industry's main technological challenge in the 1990s.

With a 5.7 year period required for designing and bringing into production new high power diesel engines and an almost universal shortage of skilled engineers in Europe, he sees little sense in Europe's seven truck makers each developing proprietary products.

Hence the recent link between Renault and Volvo "makes it unlikely" that these two companies will develop competing engines. But Mr Garuzzo stops short of predicting a wave of full-blooded mergers between manufacturers. Instead, he forecasts a host of bilateral deals based on pooling research and development and other specific activities.

Iveco has already taken a step in that direction - although notably not with a European rival - via its joint venture with Nissan Diesel, one of Japan's leading truck producers.

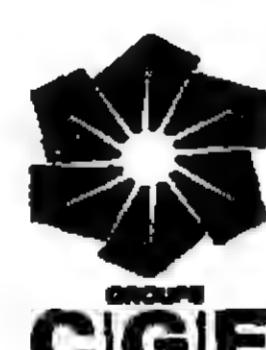
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These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. These securities having been previously sold, this announcement appears as a matter of record only.



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6,750,000 American Depository Shares

Representing

1,350,000 Ordinary Shares

\$22.83 an American Depository Share

These securities were sold pursuant to Rule 144A under the Securities Act of 1933.

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July 26, 1990

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WILLIAM BLAIR & COMPANY

OPPENHEIMER & CO., INC.

SOCIETE GENERALE

Securities Corporation

PUBLIC OFFER FOR SALE OF 83,000 SHARES AND OFFICIAL LISTING ON THE SPANISH STOCK EXCHANGES OF:



VOLKSWAGEN AG

ARRANGED AND DIRECTED BY:



BANCO BILBAO VIZCAYA

BANCA CATALANA

BBV INTERACTIVOS

BANCO DEL COMERCIO

PRIVANZA

This announcement appears as a matter of record only, the Public Offer for Sale having been completed.

INTERNATIONAL COMPANIES AND FINANCE

Birthday party for a chuppies' champion

John Elliott examines the rise of a Hong Kong entrepreneur's luxury goods empire

The 500 guests in Hong Kong's Regent Hotel were just starting their meal, eyes down to plates of frogs' legs. Suddenly they were jolted by a crash of music as six topless blonde dancers swept out for what, at a company dinner in any country, would be an unusually dressing room show.

Some ethnic Chinese tycoons in the party looked mildly embarrassed, their wives pretending to think nothing was amiss. But there was no doubt that Mr Dickson Poon, at 34 one of Hong Kong's most stylish and successful new entrepreneurs of the past decade, had scored again.

He was celebrating the 10th birthday of his Hong Kong listed company, Dickson Concepts, which has mushroomed from a single watch and jewellery shop into a string of big-name designer outlets selling luxury goods. These have flourished by meeting the urge of conspicuous consumption among Hong Kong's swelling ranks of wealthy "chuppies" and tourists.

Now he is about to restructure the group and is joining the growing number of companies which are listing against the future, as Hong Kong approaches its 1997 return to Chinese sovereignty, by shifting their corporate focus to the mainland.

The first move is widely expected to be a public flotation in France to spin off S.T. Dupont, the Paris luxury light-to-leather goods company which Dickson took over in 1987. Mr Poon will not confirm this and says Dupont might be put into a larger European flotation.

Other possibilities include establishing an overseas domicile for Dickson Concepts, splitting the group into sec-

tions: seeking London and New York listings; and floating Dickson Trading (Taiwan) on Taipei's stock exchange.

Owned 51 per cent by Mr Poon, the company has had rapid growth for several years. Last year after-tax profits totalled HK\$359.7m (US\$46.1m), 48 per cent up at HK\$2.15m.

But even though 70 per cent of profits last year came from Hong Kong, some analysts do not believe such achievements can be sustained.

This is mainly because his Hong Kong sales are split 50-50 between locals and tourists, both of which are being hit by a general slowdown. His prestige central area shops look vulnerable and he is refusing to forecast this year's growth, because of economic imponderables in Taiwan as well as Hong Kong.

Mr Poon is the urban son of Mr Poon Kam Kai, a Hong Kong watch retailer who has built up considerable wealth during 50 years of activities based on four central jewellery shops. Educated at Uppingham, the British public school, and at a university in Los Angeles, Mr Poon spent 18 months with Chopard of Geneva, learning the luxury watch business.

His father lent him HK\$5m and in 1980 he opened his first outlet in the then new Landmark building, one of Hong Kong's prime shopping centres.

The following year he acquired rights to run Charles Jourdan boutiques in Hong Kong, and in 1982 moved on to a wholesale business for Hermès watches and the distribution of Charles Jourdan leather goods. In 1983 watches, lighters and pens were added to the range.

"By 1983 we had seen an interna-

tional niche in the market for a stylish, fashionable watch with an international reputation and a brand name because people were becoming more brand-name conscious about their watches," says Mr Poon. "Our trend is to offer a lifestyle, not just a single product."

Mr Poon claims a simple motivation for his designer goods. It is, he says, "important to be involved in a business one enjoys so one can devote all one's attention to one's work."

Dickson Concepts now has 12 interlinked areas - franchise retailing, wholesale distribution, and full licensing for design, manufacturing and distribution - with about 10 international luxury goods names. They cover Hong Kong and 20 countries.

The retailing side has 96 shops, including 70 in Hong Kong of which nine trade under the name of Hong Kong Optical. This locally quoted company was taken over with a 50.4 per cent stake in 1988 and has been renamed Innovations to take the group down into mass-market goods.

Internationally the main presence is the ownership of Dupont. The attraction for Mr Poon, who "is a truly international company with a reputable brand name and only a few but well-defined product lines, plus its own distribution subsidiaries abroad which broaden our own Far East network."

The management was organised but is still entirely French, under Mr Poon's chairmanship. The product range was diversified from cigarette lighters and pens to watches, men's

shoes, handbags, and luggage.

The Innovations move has led to problems because a year ago it bought for HK\$11.4m a 20 per cent stake in Continental Holdings, a local jewellery manufacturer whose after-tax profits then dropped by more than 60 per cent in the first half of the current year. Earlier this month Innovations sued Mr Charles Chan, chairman of Continental, alleging there was misrepresentation of the company's finances at the time of the purchase.

This is a setback to Mr Poon's almost flawless 10-year growth record and he has also faced more local competition with the Optical shop than in his other designer outlets.

The group's basic strength is its in-house design and marketing of designer goods, especially watches which range from Chopard at the top end at HK\$15,000 per piece, down through Dupont, Carrera, Givenchy, and Charles Jourdan to Guy Le Roche at HK\$60 to HK\$400.

The management ethos, says Mr Poon, is to be "very aggressive in marketing but very conservative in terms of financing - so the group is debt-free - and only to engage ourselves in businesses in which we have expertise."

That conservatism is being applied to the gradual development of the restructuring plan which is aimed at enhancing the company's share value.

Mr Poon says, however, he is optimistic about Hong Kong and, unlike many other locals, insists his gallery designer shops will continue to thrive after 1997 - "so long as China keeps law and order, and the capitalist nature remains."

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ANZ group
to buy T&C
for A\$145m

By Kevin Brown

SHARES IN Elders IXL touched A\$1.58 (US\$1.20) on the Australian Stock Exchange yesterday - their lowest value since the 1987 world stock market crash before recovering to close 4 cents down on the day at A\$1.52.

The fall reflected growing concern about the future of Harlin Holdings, the privately-owned company which owns a majority stake in Elders.

Harlin, which is controlled by Mr John Elliott and other senior Elders managers, is believed to have negative net worth as a result of the falling value of its stake in Elders, its only asset.

The company is in breach of loan agreements and earning insufficient dividends from its

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The company is in breach of loan agreements and earning insufficient dividends from its

Elders shares to meet interest payments.

Market anxiety increased as TNT, the Australian transport conglomerate, issued a statement denying Australian newspaper reports that it was planning to rescue Harlin in accordance with Mr Rupert Murdoch's News group.

It was suggested that TNT might be interested in becoming involved in Harlin Holdings. However, TNT had no interest in such a proposal.

Mr Rupert Nichols, TNT company secretary, said in a statement to the stock exchange, News group denied that it had been approached, and said it was not interested in investing in Elders.

Harlin was thought to be discussing refinancing proposals yesterday with its two principal banking syndicates, led by Citibank Australia and Hong Kong Bank Australia. They refused to comment on suggestions that Harlin's loans could be called in unless agreement was reached shortly.

Molson Breweries of Canada has also been identified as a potential rescuer, possibly by taking an equity stake in either Harlin or Elders. Molson recently raised C\$300m (US\$257m) through a share placement and debenture issue, and has plans to make an international brewing acquisition. It has not denied reports that it is interested in acquiring Elders' Australian brewery interests.

Bond seeks to extend deadline

By Kevin Brown in Sydney

BOND Corporation, Mr Alan Bond's flagship, yesterday sought an extension of today's deadline for the sale of its Bond Brewing Holdings (BBH) subsidiary to Bell Resources.

Bond Corporation must finance the A\$1.65bn (US\$1.45bn) sale of the brewery today or repay debts of A\$880m by the end of September to a banking syndicate led by the National Australia Bank.

The Bond group is believed to have sought a two-week extension of the deadline for repayment of the NAB syndicate loan, to provide more time for the details of the BBH sale to be finalised.

The Australian Stock

Exchange has indicated that it may delist Bond Corporation if it goes ahead with a shareholder meeting today to approve the sale. Delisting would trigger a series of cross-defaults within the Bond group, and could put the group into liquidation.

The breweries deal is also threatened by the group's inability to agree terms for a discounted buy-back of US debentures, which has to be agreed by tonight to avoid the withdrawal of a A\$340m funding facility.

The debenture holders have rejected a final revised offer to repurchase the debentures at a discount of 50 per cent.

The withdrawal of the facility would probably mean that the Bond group would be unable to repurchase the debentures, leaving the debenture holders to pursue the liquidation of BBH through the courts.

Liquidation proceedings resumed in the Victorian Supreme Court yesterday, but were adjourned after the court heard that a crucial technical report would not be completed until mid-September.

The US creditors are claiming US\$510m in subordinated debentures, plus two interest payments totalling US\$65m. They would rank behind banks in any group liquidation.

BCIL's first acquisition
since sale gets under way

By Angus Foster in Hong Kong

BOND Corporation International Limited (BCIL) is planning its first acquisition since the company was sold by Mr Alan Bond to Taiwanese, Chinese and Hong Kong interests earlier this month.

The move comes 10 days after a placement of 31.5 per cent of BCIL which marked the end of a complex series of transactions and left Hong Kong listed Tomson Pacific as the majority shareholder in BCIL and ended Mr Bond's association with the company.

BCIL will take an 18 per cent to 19 per cent stake in shipbuilding and engineering group Chung Wah as part of an overall plan by Chung Wah to

raise about HK\$102m through a placement, one for five rights issues and issue of new shares to the company's controlling Wong family.

Chung Wah also said it expects to soon announce losses of more than HK\$100m (US\$12m) in its latest financial year due to poor trading conditions in Hong Kong.

Before the announcement BCIL's only assets were stakes in a development site in Rome and a brewery in China. But the company is thought to be keen on the stake in Chung Wah to expand its interests in infrastructure projects in Hong Kong and Macau in association with Chung Wah.

Notice to Holders
Financière Crédit Suisse-First Boston

Up to 50,000 Warrants

(expiring on 13th September, 1991)

representing call options on shares of

Volkswagen Aktiengesellschaft

(listed on the Frankfurt Stock Exchange)

Ford Motor Company

(listed on the New York Stock Exchange)

Toyota Motor Company

(listed on the Tokyo Stock Exchange)

NOTICE IS HEREBY GIVEN that pursuant to Condition 6.2 of the Conditions of the above-described Warrants (the "Warrants"), Financière Crédit Suisse-First Boston has, with effect from 2nd July, 1990, increased the number of shares of Toyota Motor Company represented by each Warrant from 13 shares to 14.3 shares following the recent bonus issue by Toyota Motor Company.

Financière Crédit Suisse-First Boston

US\$250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE JANUARY 1997

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.25% and that the interest payable on the relevant Interest Payment Date October 31, 1990 against Coupon No. 23 in respect of US\$10,000 nominal of the Notes will be US\$210.83.

July 31, 1990, London

By Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Subordinated Floating Rate Notes Due November 27, 2085

Notice is hereby given that the Rate of Interest has been fixed at 8.225% in respect of the Original Notes and 8.3125% in respect of the Enhancement Notes and that the interest payable on the relevant Interest Payment Date August 31, 1990 against Coupon No. 58 in respect of US\$10,000 nominal of the Notes will be US\$70.83 in respect of the Original Notes and US\$71.58 in respect of the Enhancement Notes.

July 31, 1990, London

By Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

US\$400,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE OCTOBER 1996

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8.25% and that the interest payable on the relevant Interest Payment Date October 31, 1990 against Coupon No. 24 in respect of US\$10,000 nominal of the Notes will be US\$210.83.

July 31, 1990, London

By Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Subordinated Floating Rate Notes
Due October 25, 2005

Notice is hereby given that the Rate of Interest has been fixed at 8.225% and that the interest payable on the relevant Interest Payment Date August 31, 1990 against Coupon No. 58 in respect of US\$10,000 nominal of the Notes will be US\$70.83.

July 31, 1990, London

By Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

Salomon Brothers International Limited

International Finance Corporation

Algemene Bank Nederland N.V.

Banco de Santander, S.A. de Credito

Banque Indosuez

Barclays de Zoete Wedd Limited

Baring Brothers & Co., Limited

Crédit Lyonnais Securities

Daiwa Europe Limited

Deutsche Bank

Goldman Sachs International Limited

NM Rothschild & Sons Limited

Paribas Capital Markets Group

S.G. Warburg Securities

UBS Phillips & Drew Securities Limited

Salomon Brothers

GLOBAL GROWTH IN M&A

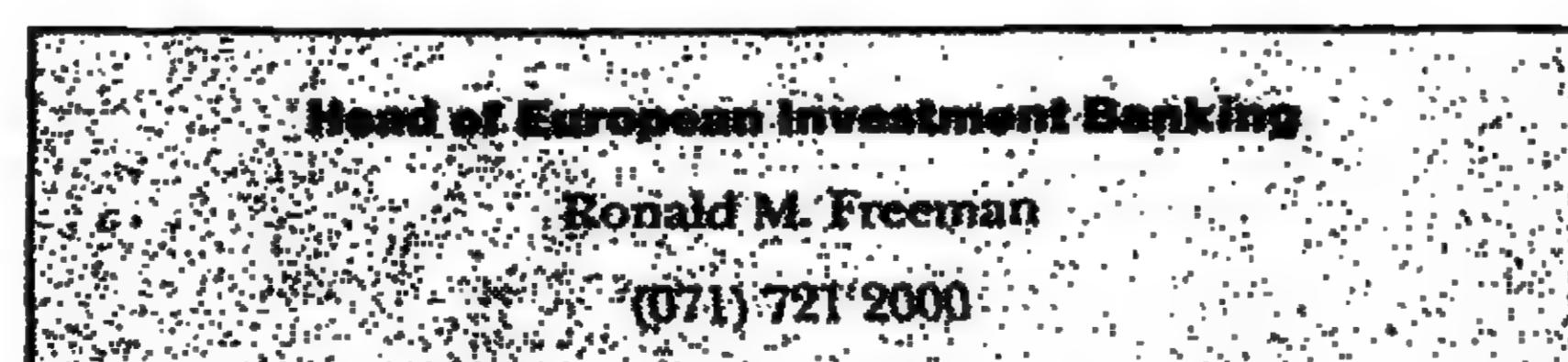
In the first six months of 1990, the number and size of our strategic M&A advisories grew significantly. On five continents, Salomon Brothers proves that innovative ideas produce results for our clients. Results that make a difference.

<i>Client and Assignment</i>	<i>Approximate Size</i>	<i>Client and Assignment</i>	<i>Approximate Size</i>
American Information Technologies Corporation/Bell Atlantic Corporation Acquisition of Telecom Corporation of New Zealand Limited.*	\$2,400,000,000	Digital Communications Associates Divestiture of network communications group to Racial Electronics Plc.	\$28,000,000
Ausimont N.V. Swap of Thorofare fluorochemicals business of Société Nationale Elf Aquitaine, for Ausimont's Spinetta, Italy, organic peroxides business.*	Undisclosed	Domtar Inc. Divestiture of Miranol Inc. to Rhône-Poulenc S.A.	Undisclosed
Ausimont N.V. Sale of interests in Societa Italiana Additivi per Carburanti to The Associated Octel Company Limited.	Undisclosed	Ebro S.A. Valuation advisory.	Undisclosed
Axel Johnson Inc. Divestiture of Industrial Tectonic subsidiary to Overseas Partners International.*	Undisclosed	Filofax Group PLC Sale of the company to The Tranwood Consortium Fund.*	10,800,000
Bancorp Hawaii, Inc. Acquisition of FirstFed America, Inc.*	140,800,000	Financial Security Assurance Holdings Ltd. Sale of the company to U S West, Inc.	345,000,000
Bank of the West Acquisition of Central Bank.	54,000,000	Fleet/Norstar Financial Group, Inc. Sale of a portion of Visa and MasterCard credit card portfolio to Norwest Bank Iowa, National Association.	Undisclosed
Beatrice Company Sale of the company to ConAgra, Inc.*	2,300,000,000	Florida National Banks of Florida, Inc. Sale of the company to First Union Corporation.	850,000,000
BSG/Creditanstalt Share exchange.	Undisclosed	French Ministry of the Economy, Finance and Budgets Financial advisory in connection with a share exchange between Banque Nationale de Paris and L'Union des Assurances de Paris.	Undisclosed
CalFed Inc. Divestiture of Anglo American Insurance Company Limited to Mazard P.L.C., an affiliate of John Head & Partners L.P.	105,600,000	Gebrüder Röchling Divestiture of Schorch GmbH to AEG Aktiengesellschaft.	Undisclosed
Canfor Corporation Divestiture of Alberta High Level operations to Daishowa Canada Co. Ltd.	Undisclosed	Generalitat de Cataluña Merger between La Caja de Pensiones and La Caja de Barcelona.	Undisclosed
Compagnie Financière Michelin Acquisition of The Uniroyal Goodrich Tire Company.	1,500,000,000	GTE Corporation Acquisition of cellular property interests from Providence Journal Company.*	710,000,000
Compagnie Générale des Eaux Acquisition of I. Krüger A/S from Danisco A/S.	Undisclosed	Holiday Corporation Divestiture of Holiday Inn Hotels to Bass PLC.	2,260,000,000
Compañía Embotelladora Argentina S.A.I.C. and Seven-Up Concesiones S.A.I.C. Sale of the companies to El Grupo PPR.	Undisclosed	Hotel Investors Trust Sale of hotel and gaming assets to EIE (Japan).*	152,500,000
Contel Corporation Acquisition of certain southeastern cellular franchises from McCaw Cellular Communications, Inc.	1,300,000,000	International Lease Finance Corporation Advised the Special Committee of the Board of Directors on the sale of the company to American International Group, Inc.*	1,300,000,000
Dayton Hudson Corporation Acquisition of Marshall Field & Company from B.A.T Industries p.l.c.	1,040,000,000	Investor Group Acquisition of Grupo Torras, S.A.	1,600,000,000
Degussa AG Divestiture of Ferd. Wagner GmbH & Co. KG subsidiary to the management.	Undisclosed	IRIS Graphics, Inc. Sale of the company to Scitex Corporation Ltd.	35,000,000
Degussa AG Divestiture of gas analysis division to Rosemount GmbH and Co., a wholly owned subsidiary of Emerson Electric Co.	Undisclosed	ISS Servisystem Comercio e Industria Ltda., a subsidiary of ISS International Service Systems A/S* Acquisition of Well's Restaurantes S.A. and Well's Administradora S.A.	Undisclosed
Degussa AG Divestiture of freeze drying activities to Santasalo-Sohlberg Oy.	Undisclosed	J.P. Industries, Inc. Sale of the company to T&N plc.*	370,000,000

*Pending

<u>Client and Assignment</u>	<u>Approximate Size</u>	<u>Client and Assignment</u>	<u>Approximate Size</u>
Jindo Corporation Acquisition of the Retail Fur Group, a division of The Fur Vault, Inc.	Undisclosed	San Diego Gas & Electric Company Merger with SCEcorp.*	\$2,600,000,000
Jorrban (No. 26) PLC (Andrew Lloyd Webber) Acquisition of The Really Useful Group plc.	\$131,000,000	Soo Line Corporation Advised the Special Committee of the Board of Directors in connection with the sale to Canadian Pacific Limited of the 44.2% of outstanding common stock not already owned by Canadian Pacific Limited.	204,000,000
Katun Corporation Sale of minority interest to a leading Japanese corporation.	Undisclosed	Southwire Company Acquisition of certain assets of AT&T Nassau Metals Corporation, a wholly owned subsidiary of American Telephone And Telegraph Company.*	Undisclosed
Keystone-Arapahoe Limited Partnership Sale of the Keystone Resort Colorado to The Ralston Purina Company.	Undisclosed	Sovran Financial Corporation Merger with The Citizens and Southern Corporation to create Avantor Financial Corporation.*	4,700,000,000
Lafarge Coppée S.A. Financial advisory.	Undisclosed	The Bell Group International Limited Divestiture of Bryanston Insurance Company Limited to GFA International Limited.	Undisclosed
Lilly Plc Acquisition of Hatfield Estates plc.	30,000,000	The Foxboro Company Sale of the company to a wholly owned subsidiary of Siebe plc.*	656,400,000
LIN Broadcasting Corporation Advised the Special Committee of the Board of Directors on exchange of assets with Metromedia Company.*	850,000,000	The Travelers Corporation Divestiture of Travelers Mortgage Services, Inc. to General Electric Mortgage Capital Corporation.*	Undisclosed
Masco Corporation Divestiture of Compac Corporation, Fulton Manufacturing Corporation, and Reese Products, Inc. to TriMas Corporation.	Undisclosed	Time Warner Inc. Divestiture of Scott, Foresman and Company to Harper & Row, Publishers, Inc.	455,000,000
Nashua Corporation Divestiture of International Office Systems Group to Gestetner Holdings PLC.	201,800,000	Triton Container International Acquisition of certain limited partnership assets.	Undisclosed
National Intergroup, Inc. Sale of interest in National-Southwire Aluminum Company to Southwire Company.	40,000,000	Trustcorp, Inc. Sale of the company to Society Corporation.	500,000,000
NL Industries, Inc. Proxy fight for control of Lockheed Corporation.	2,331,000,000	TVX Broadcast Group Inc. Divestiture of TVX of New Orleans, Inc. to an investor group.	7,100,000
Pennsylvania Enterprises, Inc. Merger with NUI Corporation.*	427,000,000	Union Exploration Partners, Ltd. Merger into Unocal Exploration Corporation.*	4,556,000,000
Penntech Papers Inc. Sale of the company to Willamette Industries, Inc.	75,000,000	United Employee Acquisition Corp. Acquisition of UAL Corporation.*	4,340,000,000
Philipp Brothers Oceanic Inc. Divestiture of the Taiwan Pizza Hut Franchise to Jardine Matheson Holdings Limited.	Undisclosed	United Engineers, Limited Acquisition of Goodman Medical Supplies Ltd.	Undisclosed
Philips Industries Inc. Sale of the company to Tomkins PLC.*	550,000,000	United States Can Company Merchant banking investment in the company.	Undisclosed
Pinnacle West Capital Corporation Defense advisory.*	1,821,000,000	United Technologies Corporation Divestiture of Global Automotive Sealing Systems Group to Schlegel Corporation, a wholly owned subsidiary of BTR plc.	200,000,000
Premium Beverages Inc. Fairness opinion/valuation of company.*	Undisclosed	Vishay Intertechnology, Inc. Tender offer for Crystallite Holdings plc.*	52,000,000
Prime Motor Inns, Inc. Sale of hotel franchises to The Blackstone Group, Inc.*	171,000,000	WCRS Group plc Acquisition of 50% of Carat Holding, sale of 40% of WCRS Advertising Limited to Eurocom SA.	389,000,000
Public Service Company of New Hampshire Represented the Official Committee of Unsecured Creditors in bankruptcy proceeding and in negotiations with Northeast Utilities.*	2,400,000,000	Walwyn Inc. Merger with Midland Doherty Financial Corporation to form Midland Walwyn Inc.	40,000,000
Ramada Inc. Sale of hotels to New World Hotel (U.S.A.) Ltd.	540,000,000	Wang Laboratories, Inc. Divestiture of Wang Financial Information Services Corp. to Infotechnology Inc.	16,000,000
Renown Incorporated Acquisition of Aquascutum Group PLC.	126,000,000	Western Union Corporation Divestiture of Business Services Group to American Telephone And Telegraph Company.*	180,000,000
Resorts International, Inc. Restructuring.*	900,000,000	Wheelabrator Technologies Inc. Share exchange and merger with Waste Management, Inc.*	490,000,000
Richfood Holdings Inc. Divestiture of its wholly owned subsidiary Garner Wholesale Merchandisers, Inc. to a subsidiary of McKesson Corporation.	16,000,000	Wilmington Trust Company Acquisition of Sussex Trust Company.*	70,000,000
Salomon Inc Purchase of Lehman Management Co. from Shearson Lehman Hutton Inc.	28,000,000		

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U.S. \$100,000,000

Fortune Federal
Savings and Loan AssociationCollateralized
Floating Rate Notes Due 1992

Interest Rate	8.25% per annum
Interest Period	30th July 1990 30th October 1990
Interest Amount per U.S. \$100,000 Note due 30th October 1990	U.S. \$2,108.33

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000

FIDELITY FEDERAL
SAVINGS AND LOAN ASSOCIATIONCollateralized Floating Rate
Notes Due 1992

Interest Rate	8.4% per annum
Interest Period	31st July 1990 31st October 1990
Interest Amount per U.S. \$100,000 Note due 31st October 1990	U.S. \$2,108.33

Credit Suisse First Boston Limited
Agent Bank

ECU 50,000,000

THE KOREA DEVELOPMENT BANK
Floating Rate Notes due 1992

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from July 24, 1990 to January 24, 1991 the Notes will carry an Interest Rate of 10.5625% per annum. The interest amount payable on the relevant Interest Payment Date which will be January 24, 1991 is ECU 539.86 for each Note of ECU 10,000.

GENERALE BANK, Agent Bank

U.S. \$300,000,000

Woodside Financial Services Ltd.
(Incorporated in the State of Victoria)Guaranteed Floating Rate Notes due July 1997
Unconditionally Guaranteed by

Australian Industry Development Corporation

In accordance with the terms and conditions of the Notes, notice is hereby given that for the Interest Period from July 31, 1990 to October 31, 1990 the Notes will carry an Interest Rate of 8.4% per annum. The amount payable on October 31, 1990 will be U.S. \$190.97 and U.S. \$207.64 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By The Chase Manhattan Bank, N.A.

London, Agent Bank

July 31, 1990



U.S. \$70,000,000

Autopista
Vasco-Aragonesa,
Concesionaria
Espanola, S.A.Guaranteed Floating Rate
Notes due 1995

Unconditionally Guaranteed by

The Kingdom of Spain

Notice is hereby given that for the six month interest period from July 31, 1990 to January 31, 1991 the Notes will carry an interest rate of 8.2% per annum. The interest payable on the relevant interest payment date, January 31, 1991 will be U.S. \$22.17 and U.S. \$10,541.67 respectively for Notes in denominations of U.S. \$10,000 and U.S. \$250,000.

By The Chase Manhattan Bank, N.A.

London, Agent Bank

July 31, 1990

MANAGEMENT
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on 071-873 3009

or write to him at:

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International Bank Ltd.Arab Banking
Corporation (ABC)Kärntner Landes-
und Hypothekenbank

Deutsche Bank Luxembourg S.A.

INTERNATIONAL COMPANIES AND FINANCE

Du Pont Merck to target Europe

Karen Zagor and Peter Marsh look at an international drugs venture

Top pharmaceutical companies

Market value (\$ billion)

Merck	34.4
Bristol-Myers Squibb	33.1
Lilly	24.2
Johnson & Johnson	22.6
Globo	21.1
Abbott Laboratories	18.1
American Home Prod	16.5
ICI	13.4
Roche	12.8
SmithKline Beecham	12.7

which were better suited to the over-the-counter market than Merck's traditional prescription venue. Merck now provides the products in the venture and Johnson & Johnson provides the marketing expertise. One large difference between the two is that the Johnson & Johnson project is essentially a US deal while Merck-Du Pont eventually will be a global company.

Merck Du Pont has already said a first priority will be to build its European presence in the 1990s, increasing its European sales force to at least 500 by 1995. "I think Japan is the next step for our joint venture," said Mr Vagelos.

The thrust into Japan, if it occurs, will be led by Mr Joseph Gelles, chairman of the joint venture and the former head of Du Pont Pharmaceutical's research and development division.

Mr Mollica said the collaboration will allow the company to become a multi-national, multi-billion dollar, leading pharmaceutical company with less risk. "Now we can amass capability and get products to market one to two years earlier with broader market penetration than before."

Mr Mollica will continue to oversee the former Du Pont Pharmaceutical employees, but he will have to answer to a committee made up of representatives from Du Pont and Merck.

Although Merck and Du

Pont have worked together

successfully since October,

when they entered a marketing

and research agreement, the

scope of the new venture inevi-

tably introduces the hazard of

clashing corporate cultures.

"Merck is pioneering a way

to create win-win situations,

by saying that it is not neces-

sary to have total control,"

said Mr Mehta.

"But this will not be easy

because it will have to work

across two cultures and we

have to assume that one side

will buy the other out in the

end."

UAL employees
need extension to
buy-out deadline

By Roderick Oram in New York

EMPLOYEES of UAL will need more time to raise some \$4bn from banks for their leveraged buy-out of UAL, parent of United Airlines, an adviser involved in the complex deal said yesterday.

"There's no way this is going to happen by August 9," he said. The group, led by Mr Gerald Greenwald, a former vice chairman of Chrysler, would have to tell the UAL board it had made progress but would need an extension of the deadline to finalise the financing.

"We haven't asked for an extension and the talks are continuing," a spokesman for the group said. He declined to comment on a report that Chemical Banking had dropped out of the consortium of five lead banks which is trying to put together a package for the employees.

The other four — Citicorp, Chase Manhattan, Bankers Trust and Manufacturers Hanover — also declined to comment.

The banks are concerned the buy-out group has yet to line up equity backing from outside investors, according to Wall Street reports.

So far the equity consists of

wage and contract concessions the employees are prepared to make if they owned the company.

The group has been trying to persuade its suppliers, such as aircraft and engine makers and lessors, to contribute either subordinated debt or equity to the deal.

Whether UAL's board would grant the group an extension remains to be seen. It would likely be willing to give the employees more time if they appeared close to a financing package. But if the money is still elusive then the board could be reluctant to give them a long-running option to buy.

Either way, the board will be seeking to avoid a repeat of last autumn's debacle. It was sharply criticised by shareholders after the collapse of a \$6.8bn buy-out proposal from its pilots union and backers such as British Airways.

The deal founders for lack of loans because banks felt the investor group's proposals and forecasts were far too optimistic.

The employees offer of \$4.4bn is considered more realistic but is still being closely questioned by potential lenders.

PWA back in black
with C\$16m earnings

By Bernard Simon in Toronto

CURTAILED expenses and a more lucrative mix of fares helped PWA, holding company for Canadian Airlines International, bounce back into the black in the second quarter.

Earnings reached C\$16m (US\$13.8m), or 51 cents a share, compared with a C\$19.5m loss or 66 cents a share a year earlier. Operating revenues rose by 3.5 per cent to C\$60.8m, while expenses fell by 3 per cent to C\$45.8m.

Canadian Airlines, an amalgamation of what used to be CP Air and Pacific Western Airlines, is one of Canada's biggest airlines.

It has an extensive North American network as well as sole Canadian rights to trans-Pacific routes and several European cities.

Although Canadian's load factor dipped in the second quarter to 64.8 per cent from 65.7 per cent, an airline official said the improved financial results reflected fewer of the heavily discounted fares sold by Wardair, the charter airline.

A construction strike has delayed completion of Canadian's new terminal at Toronto International Airport to early next year. With about half the airline's traffic passing through Toronto, the new terminal is a key part of its efforts to boost market share against Air Canada.

Canadian expects to post a C\$100m windfall over the next two years by selling delivery slots for two Boeing 747-400s to American Airlines.

The official said international traffic remained strong in the second quarter, but domestic business was flat.

The airline's capacity by transferring some of its 10 Boeing 767s to international routes and relying on the smaller Airbus A310s inherited from Wardair for domestic service.

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The airline's capacity by transferring some of its 10 Boeing 767s to international routes and relying on the smaller Airbus A310s inherited from Wardair for domestic service.

For the 12 months, Circle K had a net loss of C\$72.9m or \$17.61, against net income of C\$15.4m or 26 cents a fully diluted share. Revenues grew to C\$3.74bn from C\$3.21m.

Circle K has also been hit by strong competition from petrol companies which have installed convenience stores at their outlets.

For the three months ended April 30, Circle K suffered a net loss of C\$47.4m or \$17.19 a fully diluted share, against a net loss of C\$2.1m or 57 cents a year earlier.

Circle K's management is not sure what the effect upon its value of any of its outstanding securities.

Earnings in the 1990 quarter include a reorganisation and restructuring charge of \$63.3m which the company took as a result of its financial condition, reorganisation efforts and Chapter 11 filing. Circle K said shareholder equity on April 30 was a negative C\$45.6m. Revenues fell to C\$90.7m from C\$82.1m.

The Phoenix, Arizona-based company said it expected to file a list of all liabilities and assets on August 28. At this time, the company cannot predict the scheduling or ultimate outcome of the bankruptcy proceeding nor the effect upon the value of any of its outstanding securities.

DOMTAR, the Canadian pulp and paper, packaging and building materials group, suffered a first-half loss from continuing operations of C\$35m (US\$33.8m), or 52 cents a share, against net profit of C\$43m or 43 cents a year earlier, analysts report.

It blamed the sluggish North

Perkins and Navistar
in engine sales deal

By John Griffiths

A LONG-TERM engine sales

collaboration agreement has been signed between Perkins, the UK-headquartered diesel engines subsidiary of Vary Corporation (formerly Massey Ferguson), and Navistar. The North American truck and diesel engine manufacturer.

The agreement is the latest in a series of collaborative deals concluded by Perkins.

It forms part of a strategy to broaden the range of diesel engines Perkins can supply through its network of 4,000 outlets spread through 160 countries.

Under the deal Perkins will sell small versions of Navistar's 7.5 litre diesel engine, currently used mainly in medium-weight trucks in North America.

Perkins said last night it was too early to say how the two companies would divide up markets. However, it is expected that industrial uses and off-highway vehicle applications will feature most strongly in Perkins' sales.

Mr Tony Gilroy, Perkins'

INTERNATIONAL CAPITAL MARKETS

US Treasuries continue to climb on weak GNP data

By Janet Bush in New York and Deborah Hargreaves in London

US TREASURY bonds moved higher yesterday in a continued reaction to last Friday's set of weak second quarter gross national product figures. One large component of the GNP, residential construction, fell 1.1 per cent. The Johnson administration, which has been pushing for a global economic recovery, said it was "disappointed" by the figures. "I am not too worried," said the US Treasury's director of research, Michael J. Sauti. "The bond market's mood has lifted considerably since Friday's GNP release showing not only weaker than anticipated growth in the second quarter, but revisions which lowered growth rates in previous quarters."

Clearly, the economy is weaker than anybody thought and this bodes well for a further easing in Fed policy.

GOVERNMENT BONDS

later this year.

However, this enthusiasm is being tempered by concerns that interest rates cannot fall far because of the need to attract buyers of Treasury debt.

Details of the August quarterly refunding are due to be announced tomorrow, and the auction is expected to total more than \$30bn. Funding needs are running at record levels because of the deteriorating budget deficit and the third-biannual audit at a time when Japanese interest rates have continued to rise, thus making US Treasury yields less attractive.

They appeared to be little reaction to yesterday's news of a 0.4 per cent rise in personal income in June and a 1 per cent increase in personal consumption spending, which was stronger than most analysts had expected and should have been negative for a bond market which has at least partially discounted another easing in monetary policy.

THE WEST GERMAN bond market was dominated by a flood of new supply yesterday as East Germany launched an

BENCHMARK GOVERNMENT BONDS

	Red	Red	Price	Change	Yield	Week	Mo	Mo
UK GILTS	10,000	4/93	93-27	+3/32	12.25	12.25	12.32	
	10,500	5/93	93-10	+5/32	11.73	11.69	11.84	
	10,000	10/98	93-24	+6/32	10.79	10.78	10.79	
US TREASURY *	8,750	06/90	103-09	+11/32	8.37	8.47	8.44	
	8,750	06/90	103-09	+11/32	8.37	8.47	8.44	
JAPAN No 118	4,800	6/90	88-1915	-0.201	7.69	7.62	7.62	
	5,700	3/97	88-1763	-0.534	7.27	7.05	8.83	
GERMANY	7,750	02/93	88-1500	-0.58	8.49	8.06	8.08	
FRANCE STAN CAT	8,600	02/95	87-2748	-0.018	9.73	9.66	9.67	
8,500	03/90	83-6200	-0.130	9.51	9.53	9.50		
CANADA *	8,750	05/90	90-0000	+0.200	10.68	10.69	10.70	
NETHERLANDS	9,000	05/90	101-9100	+0.126	8.70	8.67	8.88	
AUSTRALIA	12,000	7/99	93-7843	+0.050	13.20	13.13	13.40	

London closing, * denotes New York morning session

Yields: Local market standard

Prices: US, UK in 32nds, others in decimal

Technical Data/ATLAS Price Source

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* denotes New York morning session

Yields: Local market standard

Prices: US, UK in 32nds, others in decimal

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Yields: Local market standard

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Technical Data/ATLAS Price Source

* denotes New York morning session

Yields: Local market standard

Prices: US, UK in 32nds, others in decimal

INTERNATIONAL CAPITAL MARKETS

Small number of new issues reflects subdued markets

By Tracy Corrigan

THE HANDFUL of new issues in a couple of sectors yesterday reflected subdued and trepidatious markets.

CMS No 5 launched a £250m issue of floating-rate notes backed by National Home Loans mortgages. The notes, launched by S. G. Warburg, pay interest at 4% point above three-month sterling Libor for the first 10 years; the average life of the issue is expected to be 4.5 years. On a discounted basis, the notes offer a return

rated capital will rank as lower Tier 2 capital under Bank of England guidelines.

NAB, which owns Yorkshire Bank, Northern Bank, Clydesdale Bank and National Irish Bank, now has a third of its assets in the UK, and "was keen to increase its sterling liabilities," according to lead manager Salomon Brothers International.

Elsewhere, Banque Nationale de Paris brought a N250m issue of 13% plus 1% points. The bonds, due via Eurobonds, which was bid inside 1% points at least 1% point, and the new issue was outperformed by Telecom of New Zealand's higher-yielding 13% per cent three-year issue, which was increased for a third time yesterday to N265m.

In the French market, Crédit Lyonnais brought a FF1bn issue of 10 per cent five-year Eurobonds, fungible with its outstanding FF1bn issue.

The bonds, launched via Crédit Lyonnais, were considered aggressively priced at 54 basis points above the five-year French government bond. The

initial FF1bn issue, launched in May, was priced at a 63 basis point spread. The issue was quoted on full fees of 1% points.

In Switzerland, the Province of Nova Scotia's SF250m 10-year bonds ended their first day of secondary market trading at 98%, compared with a 101% issue price.

Midland Bank's long-term debt ratings have been lowered to A1 from A2 by Moody's, following a downgrade by the other leading US agency, Standard & Poor's, earlier this month.

Moody's also lowered the ratings of Midland's subordinated debentures to A2 from A3 and perpetual junior subordinated debt to Baal from A2.

• Instituto Nazionale di Credito Ediliario has signed a L250bn long-term facility, arranged by Banco di Roma. The margin is 23 basis points above the Libor for the 10-year tranche and 47% basis points for the 15-year tranche. The proceeds will be used to fund mortgages denominated in Lire, Ecu and D-Marks.

INTERNATIONAL BONDS

of 29 basis points above Libor, in line with outstanding sterling mortgage-backed paper.

The reception of the issue, launched late in the day, was not matched by recent reports that mortgage default rates are rising, dealers said.

Also in the sterling sector, the National Australia Bank, Australia's third largest bank, brought a £150m issue of variable-rate notes. The subordi-

E Germany nears debt limit with latest deal

By Deborah Hargreaves

THE STAATSBANK, East Germany's former central bank, yesterday launched an issue of DM50m floating-rate bonds in a move that brings the country's borrowing close to the limit set for this year on monetary union with West Germany.

The issue of three-year bonds will pay a rate based on the six-month Frankfurt interbank offered rate (Libor), plus 0.05 per cent.

The bonds were launched too late in the day to elicit much reaction from other market participants. But the fact that they are eligible to be held as collateral for Lombard funding and repurchase agreements will make them attractive to West German banks eager to get their hands on short-term paper.

An earlier issue of DM40m three-coupon bonds for the East German state was placed quickly with banks in West Germany, where banks have a large appetite for this sort of paper since the domestic money market is often lacking in liquid short-term deals.

The short-term borrowing by East Germany will help finance the initial costs of currency and economic union between the two Germanys.

However, an initial limit to the country's borrowing powers set by the treaty for monetary union which came into force on July 1, is close to being breached.

The treaty set a level of DM10bn for East German borrowing for the rest of the year, but this latest issue takes the state's borrowing to DM9bn.

Traders expect the borrowing ceiling to be raised, particularly in view of the country's expected budget deficit, which is likely to be DM10bn higher than expected in the second half of the year.

Bonn had hoped to keep East Germany's deficit to DM32bn, of which DM22bn would be covered by the German unity fund — issuing bonds in its own right — and the rest by East Germany's direct borrowing powers.

The finance ministry, however, is now complaining of a lack of budgetary discipline.

Traditionally, options are

Green light for soft commissions

Richard Waters on mixed reaction to the SIB's qualified approval

After years of wrangling, soft commission brokers in the UK got their way yesterday, official confirmation from the Securities and Investments Board that this form of broking business is here to stay.

The brokers' joy, however, is heavily tempered by two considerations.

The first is that soft commission arrangements — under which fund managers promise a certain amount of business to a broker in return for specified services — still have a long way to go to prove themselves. Some large broking houses, such as Goldman Sachs, and many fund managers remain implacably opposed to this form of business.

Mindful of the reservations, the SIB made it clear that it would keep a close eye on soft commissions. If necessary, it would further limit the range of services that brokers can "soft" and may impose a ceiling on the proportion of their business that managers put with soft commission brokers.

However, it believes in principle that soft commissions, properly regulated, have a place. As a form of "umbilical" of brokers' services, softening is a reaction to valid market demands. According to Mr David Walker, SIB chairman:

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"I have a rooted objection to interfering with market processes of this kind."

Critics argue there is scope for abuse in the type of services the broker provides to the manager. Why shouldn't fund managers pay a lower commission, and buy other services with the cash they save? This is simpler than paying a large commission, having some of it returned in the form of services, and then disclosing this to the client at the end of the year — the route approved by the SIB.

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One of those opposed to soft commissions, life insurance company Scottish Equitable, says: "We'd like to see it all out in the open. It would be simpler and cleaner if clients paid an investment management fee and that was it, rather than fund managers taking a bit on the side from a share of commissions."

And one large market participant, which declined to be named, complained of the SIB: "It's an underground economy. If certain money managers are not making an adequate return, they should put their fees up."

The second cause for concern among soft commission brokers is the cut-throat price war instigated recently by Warburg Securities. Having sat on the sidelines for some time,

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UK COMPANY NEWS - ICL/FUJITSU

Japanese link promises a 'bloody interesting future'

Alan Cane explains why STC had to look east to find a buyer for its computer offshoot

THE LATEST issue of Fujitsu's quarterly magazine, "The Tower", features the popular Japanese game "Go". Construction, it writes, is like chess; it observes: "In chess, the object is to trap and capture pieces; in Go, it is to take a partner".

Fujitsu's purchase of most of ICL is its most significant move yet in a global game of Go from which it is determined to emerge as the dominant player.

Mr Peter Bonfield, ICL's chairman and chief executive, believes, "however, that Fujitsu's approach to globalising its computer business is both novel and bold".

It is attempting to take strategic stakes in different companies to acquire different skills. In the past nine years, it has learned about ICL's skills very well".

He compares Fujitsu's approach with that of many US acquirers. "They buy some things, send in American managers, absorb it into the organisation and lose its identity. Fujitsu's view is to add value and work with the local community for the prosperity of all. It sounds grand, but I think they genuinely believe that".

Today, Mr Bonfield is at the beginning of a whistle stop tour of ICL's plants



Tekuma Yamamoto, chairman of Fujitsu: novel and bold approach

Fujitsu's technology, a merger or partnership would have limited value.

One European chief executive said sadly: "It is sad that ICL's terms could only be met by Fujitsu".

What kind of a company will ICL be in the transaction is contested in Nuremberg.

"A bloody interesting one", Mr Bonfield says bluntly. "It will be a member of the Fujitsu family, a European company listed in London with international sales but with 50 per cent of its business in Europe."

He believes that ICL will continue to play a full part in the European computer industry, continuing to take part in joint research projects and Community initiatives.

"Our European partners will want to continue working with ICL. We are good at collaboration and are a valuable member of the European computer community."

Mr Walsh, comparing ICL's future under Fujitsu, is often reticent. He said: "Today there is no doubt about its future, no doubt about its technology and no doubt about its customer base."

"Perhaps customers should be wondering whether to continue buying IBM with this new force for growth in the market," ends

ICL, 80 per cent state-owned, looks to pull a company through difficult times then to subordinate their interests and management skills with another, less successful company is very difficult, perhaps impossible. This deal will not do that. Some of the others would."

• Potential partners were con-

cerned about ICL's reliance on

Fujitsu's technology. They

point out that while ICL has

been successful over the past

few years, that success has

been based on Fujitsu's semi-

conductor expertise. Without

assurances that ICL would con-

tinue to have access to

the

market," ends

ICL to be floated in London within five years at £1.2bn minimum valuation

By Alan Cane in London and Ian Rodger in Tokyo

THE ANNOUNCEMENT that

Fujitsu will pay £743m for an

80 per cent stake in ICL was

made simultaneously yester-

day in London and Tokyo. The

deal will make Fujitsu the sec-

ond largest computer group in

the world after International

Business Machines.

Fujitsu intends to float ICL

on the London stock market

within five years, giving it a

value of at least £1.2bn.

Mr Takuma Yamamoto, presi-

dent of Fujitsu, said in London

that the deal was made principally to support his company's

plan to become a global elec-

tronics manufacturer. It would

be interested in acquiring fur-

ther European companies

"especially in the computer

business field", although it was

not actively pursuing talks with other companies at present.

Mr Arthur Walsh, chairman

of STC, said it was a deal

which was good for all the

companies involved; it secured

ICL's future, gave STC a con-

siderable opportunity to

develop as a global communi-

cations group, and doubled the

size of Fujitsu's international

operations.

After the sale, the company

would have the resources and

the technology to develop its

plans to become a major player

in the communications busi-

ness.

In Tokyo, Mr Michio Naruto,

managing director of Fujitsu

with responsibilities for inter-

national activities, said ICL

was becoming "an important

and brilliant son" in Fujitsu's

family. He flatly denied any

connection between the take-

over and the unification of the

European market in 1992. He

was "100 per cent confident"

that the UK Government

would approve the deal.

Among the principal points

of the deal are:

• Fujitsu will acquire 80 per

cent of ICL for £700m and pay

an additional £42.8m for the

retail operations in the US,

making a total of £743m.

• The intended flotation of

ICL will involve at least 25 per

cent of the equity at a mini-

mum price of 225p per share,

valuing ICL at not less than £1.2bn. Mr Yamamoto said the purpose of this was to safeguard ICL's European identity. If 25 per cent was floated, STC would contribute 15 per cent and Fujitsu 10 per cent. Mr Walsh made it clear that STC had not yet decided whether it would sell the entirety of its ICL stake on flotation.

Deal was made principally to support Fujitsu's plan to become a global electronics manufacturer. It would be interested in acquiring further European companies

• The deal is conditional on shareholder approval at an EGM of STC on August 16, and the transaction will be completed in November when a new board will be announced.

It will be chaired by Mr Peter Bonfield, present chairman and chief executive of ICL, will be predominantly European, and will have nine members nominated by Fujitsu and two by STC. The top management team at ICL is expected to stay in place.

Mr Yamamoto said that arrangements between Fujitsu and Siemens of West German and Telephonics of Spain would not be affected by the deal with ICL. Fujitsu supplies Siemens with supercomputers and components for its top-end mainframes.

Mr Bonfield said the deal would result in a broadening of product lines for both companies; Fujitsu had already agreed to market ICL's powerful DRS 6000 workstation internationally. He did not expect, initially, that ICL would market Fujitsu's IBM-compatible mainframe.

He was confident that ICL would reach its target of £4bn in sales by 1995. In the first six months of the current year it made £756.2m.

Deliveries to British Telecom fall by 26% and shares slip 21p

STC's £77.7m at low end of expectations

By Hugo Dixon

the comparable period of last

year.

STC said that the results were "a setback", but said the second half performance would be much closer to that for the comparable period of 1989, although full year results were likely to be below those achieved last year.

Group turnover declined to £1.19bn (£1.27bn). Earnings per share fell 31 per cent to 9p, but the interim dividend is increased from 3.75p to 4p.

The computer division made operating profits of £58.4m on turnover of £765m, compared with profits of £63.1m on turnover of

£77.7m.

The communications systems division saw operating profits tumble by more than a half from £44.4m to £19.6m. Turnover declined from £322m to £246m.

The cutback in deliveries to BT, which still accounts for over half the group's telecommunications sales, was the main factor. However the group's submarine cable business, which has been highly profitable in recent years, reached a low point partly because millions of pounds had to be spent on redesigning an important trans-Pacific cable.

STC expects matters to improve in the second half as

deliveries to BT pick up and the trans-Pacific cable is completed.

The group's components and distribution division reported operating profits of £12m compared with the previous year's £14.3m.

Interest charges contributed to the downturn, reflecting increased working capital levels in some of the group's businesses. Interest payments less investment income were £7.9m in the half year compared with receipts of £900,000 in the first six months of 1989.

The company also blamed movements in the exchange rate for 55m of the reduction in profits.

RECORD RESULTS

Profits of Securicor Group plc up 69.5% to £30.925 million for the half-year to March 31st, 1990

Profits of Security Services plc up 61.2% to £22.547 million for the same period

Current indications are that good progress will be achieved in the second half-year

SECURICOR

• Mobile Communications (including Cellnet*) • Express Parcels • Security Services •

Half-year Reports of Securicor Group plc and Security Services plc are available from The Company Secretary, Securicor Group plc, Sutton Park House, 15 Carshalton Road, Sutton, Surrey SM1 4LE.

WASTE MANAGEMENT

The Financial Times proposes to publish this survey on:

26th September 1990

For a full editorial synopsis and advertisement details, please contact

Alison Barnard

on 071 873 4148

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Number One

Southwark Bridge

London

SE1 9HL

FINANCIAL TIMES



Rustenburg Platinum Holdings Limited Reg. No. 05/22452/06

Lebowa Platinum Mines Limited Reg. No. 63/06144/06

(Both companies incorporated in the Republic of South Africa)

Highlights from the Preliminary Reports for the year ended 30 June 1990 (Audited)

Rustenburg Platinum

1990 Rm

1989 Rm

Gross sales revenue	2,943.5	2,931.5
Profit before taxation	1,225.4	1,440.5
Distributable profit for period	551.3	595.7
Ordinary dividends	388.5	376.0
Capital expenditure	313.2	239.4
Earnings per share (cents)	440.0	475.4
Dividends per share (cents)	310.0	300.0

Lebowa Platinum

1990 Rm

1989 Rm

Gross sales revenue	77.5	68.5
Profit before taxation	20.4	28.7
Distributable profit for period	18.6	23.7
Ordinary dividends	9.0	9.0
Capital expenditure	34.6	83.6
Earnings per share (cents)		

UK COMPANY NEWS

Controlling family set to sell 57% stake in Bardon

By Jane Fuller

BARDON GROUP, the quarrying and building products concern which operates in the UK and the US, has been put up for sale by the Tom family, which controls 57 per cent of the ordinary shares.

The decision puts on the market one of the UK's very few "super quarries" – Bardon Hill, near Leicester, a 1,200 acre site with reserves of 5m tonnes with planning consent (275m total) and produces 2.8m tonnes a year. Analysts valued the site and its associated activities alone at between £150m and £170m.

This compares with a market value of £155m for the whole group, and that is after yesterday's 25p jump in the share price to 175p. The group moved to the main market in December 1988 at 168p per share and a one-for-eight rights issue last June was priced at 170p.

Bardon also announced yesterday that pre-tax profit had fallen to a third of the 1989 level in the first six months of this year. The taxable figure of £10.6m was made on sales down 19 per cent to £53.1m. Interest charges total £3.04m (£2.83m) of the £4.11m (£6.26m)

operating profit.

Mr Peter Tom, chairman and chief executive, said the US operation had made a loss because of the traditional four-month shut-down until mid-April.

An aggravating factor was a moratorium, imposed in November 1988, on Massachusetts state-funded projects. That had just been lifted and the group, which in April completed the \$45m (£25m) purchase of Simeone in the same state, was bidding for new infrastructure contracts.

The UK part of the business had made about £3m pre-tax, similar to the previous year.

Although gearing stood at 117 per cent, Mr Tom said the net assets figure of £55m did not include the value of mineral reserves at Bardon Hill. The bulk of the £73m borrowings are in the US.

Bardon was built up by Mr Tom's grandfather, who had been one of the founders of ARC, now a Hanson subsidiary. About 10 family members remain involved, of whom four are in their seventies.

Mr Tom, 50, said family control was an important factor in

getting the best value for shareholders. As this holding was likely to decline, it had been decided to put it up for sale. It was possible that the business would buy the US half of the business.

Earnings per share, diluted by the rights issue, fell to 0.77p (2.58p). The interim dividend is being held at 0.98p.

• COMMENT

The decision to realise the family holding has brought a scarce quarrying resource – and what one analyst described as "a lovely cash cow" – to the market. Even before yesterday's rise in share price, the group was on a fancy prospective multiple of 20 (m a pre-tax profit forecast of £7m), but even this left a big gap between the worth of the assets and the market value. Bardon's performance has been dragged down by the US side. Mr Tom, who has driven that investment since 1988, is interested in keeping this on and its long-term potential is good. Some would say he is selling the UK business at the top of the cycle and has bought into Massachusetts at the bottom.

Norcros shares dip on market warning

By Andrew Bolger

NORCROS in Norcros closed 11p lower at 170p yesterday after the building materials, print and packaging, and property development group warned that it expected its market to deteriorate while interest rates remained high.

Mr Julian Sheffield, chairman, said: "The rapid and continuing downturn during the year in the UK building materials market and the slowdown in the sale of commercial property developments led to a very significant deterioration in our annual results."

"Now starts in the residential sector have declined by over 30 per cent, and the commercial sector is now completing the 'building-out' of existing projects and has few new starts in the pipeline."

"On the property front, investing institutions are showing little or no interest in property investment, except at very distressed prices."

Norcros' pre-tax profits fell by 44 per cent to £57.3m for the year to end-March.

Citygrove chief resigns as interim loss is forecast

By Clare Pearson

CITYGROVE Holdings, the US quoted plant hire company, has announced that its chief executive, Mr David Woolf, has resigned as executive chairman and chief executive of Citygrove, the edge-of-town development company which he founded nearly 20 years ago.

His resignation coincided yesterday with a warning from Citygrove that its results for the half-year to end-May would show a substantial loss.

The shares dropped 7p to 18p on the announcement.

Mr Ernest Sheaville, former managing director of the Leabrook Group properties division who joined Citygrove last December, is to take over from Mr Woolf as chief executive.

Citygrove said its first-half results, due to be announced in September, would show a substantial loss reflecting trading losses and provisions against the value of the work in progress. It warned that trading continued to be very difficult in the second half.

Payment of the November instalment of the preference dividend was being kept under review, it added.

Mr David White, a non-executive director since 1987, is to take over as non-executive chairman. Mr Woolf, 45, remains on the board as a non-executive director.

Citygrove's shares have already plummetted from about 130p at the start of the year. The precipitous decline began after Citygrove missed the final dividend on its ordinary shares, even though it had lifted pre-tax profits from £1.65m to £2.67m in the year to end-November. It also followed a warning from Mr Woolf that trading had declined in the final quarter of the year.

Lord Rothschild and his family bought 25m shares in

JRH, which will shortly be demerged, bringing its stake to between 13 and 14 per cent. Mr Nils Taube, a fellow director, bought 3m shares, bringing his stake up to 3 per cent.

Under the demerged plan revealed last month, JRH will spin off half its assets into a unit trust, and retain a smaller dealing and invest-

Cellnet contribution helps Securicor to £31m

By Andrew Hill

PROFITS from the Cellnet mobile telephone network more than doubled in the six months to March 31, boosting the interim results of Securicor Group and its sister company Security Services by more than 60 per cent.

Securicor increased profits by 68 per cent to £30.6m in the equivalent period. The group owns 50.75 per cent of Security Services and the two companies have a 40 per cent stake in Cellnet. The balance of Cellnet is owned by British Telecom.

Services, results of which are taken in full in the Securicor accounts, reported a 61 per cent increase in profits to £22.5m (£14m) before tax.

The two companies' shares were hit in February, despite a 40 per cent rise in Securicor's year-end profits, because of the adverse effect of lower consumer spending on Services' security and parcels division.

But yesterday's figures dem-

onstrated that security and parcels had recovered in the first half, pushing profits ahead slightly to £10.6m (£10.2m). Securicor's ordinary shares were unchanged at 765p, in a weakening market, while the more numerous A shares gained 2p to 825p. Services' shares closed 4p higher at 125p (122p).

Explaining the improved performance of the parcels division, Mr Chris Shirliffe, finance director of both companies, said that they had instituted a "think lean" campaign of cost cutting. "The parcels division suffers because it is an early indicator of the economic climate, but it also has the advantage in giving you an opportunity to do something about it."

The companies' share of profits on subscriptions and calls to the Cellnet network came to £19.8m (£17.3m) in the first half, but Securicor continued to lose money on the

retailing of Cellnet units. The communications division, which includes retail, lost £2.9m (£1.5m).

Securicor's turnover rose from £237m to £268m in the first half and earnings per share were 12.5p (7.6p). An interim dividend of 0.616p (0.44p) is declared. Services turnover was £23.6m (£20.4m), earnings were 12.5p (7.9p) and the interim dividend was 1.25p (0.92p).

Finance, investments and insurance contributed £2.5m to Securicor's profits, while hotels, vehicles and employment services made £35.6m (£1.6m).

• COMMENT
If your core profits are going to be overshadowed by something, it might as well be the remarkable growth of a non-core business, but it still concerns Securicor's directors that the company and its sister should be valued primarily on

the basis of their stake in Cellnet, a business in which they are the minority partner. In that respect, the severe downgrading of the shares since February – sparked by disappointment in the parcels and security business – at least demonstrated that investors had not forgotten about the core operations. These figures were higher than expectations, but the first half ended before the recent slacker months in the retail sector, so there is still some caution in the City about the division's second half performance. If Securicor makes £25m before tax in the full year, its A shares are on a prospective multiple of about 25. Services, assuming full-year profits of £47m, is on a p/e of 21. Bull's of the cellular telephone market might argue that the two companies still lag behind Racal Telecom, their principal rival, but for the moment the share prices are probably about right.

Vishay promises increase if MMC clears Crystalate offer

By Jane Fuller

THE BATTLE for Crystalate Holdings, the US electronic components company, took a new turn yesterday when a bidder ruled out by a reference to the Monopolies and Mergers Commission promised an increase if its bid were cleared.

Vishay Intertechnology, a US electronics components group which already has a trading relationship with Crystalate, said it would increase its cash offer from 90s to 93.5p if MMC clearance were gained. If a decision was not reached by November 1, it would consider adding more.

It also said it was confident that an accommodation could be reached with the MMC,

claiming that the area of overlap in the fixed resistor market only involved about £1m of turnover. On Friday, Crystalate said the combined group could have up to 30 per cent of the market concerned.

Before the reference, Crystalate had recommended acceptance of Vishay's offer.

However, the lapsing of Vishay's bid on Friday left just one player in the field: TT Group, the industrial holding concern which first made its hostile 7-for-10 all-share offer in March. Its full cash alternative is 85.5p per share.

By yesterday's deadline, it said it spoke for 35.24 per cent of the ordinary shares, including the 29.8 per cent that it

owned. The offers were declared final and extended until next Monday.

With TT's price falling 4p to 128p, its paper offer valued each Crystalate share at 88.6p, compared with a closing price of 86p. The total value of the ordinary all-share offer plus that for other forms of stock was about £23.5m.

TT said it did not share Vishay's optimism about the MMC deliberations and that the delay involved could lead to Crystalate shareholders not getting their money until next year.

Vishay had acceptances for 6.5 per cent of the equity before its bid lapsed.

Whitecroft makes agreed offer for Hitech

By Clare Pearson

WHITECROFT, the industrial holding company, is making an agreed offer for Hitech, the BES-funded lighting group where pre-tax profits plummetted last year from £1.09m to £174,552.

On the basis of yesterday's closing price for Whitecroft shares, the one-for-one paper offer values the whole of Hitech at about £3.9m and each share at 270p. Directors have provided acceptances to a total of 31.8 per cent of the equity.

Whitecroft already owns 25.2 per cent of the shares. It bought the stake recently from JMB, the USM quoted greetings cards manufacturer and merchanter of novelty products.

When Hitech originally raised funds under the Business Expansion Scheme in October 1988, the company was valued at £550,000.

Whitecroft has sold its offer will be open until November. This is to enable Hitech's shareholders to dispose of their shares free of tax, as they may do under BES rules, provided they have held them for five

Telfos calls for £13.85m to help cut borrowings

By Vanessa Houlder

TELOS HOLDINGS, the diversified engineering group, yesterday announced a £13.85m rights issue to strengthen its balance sheet and provide additional working capital.

The money will be used to reduce its net borrowings of £8m and to help it gear up for a substantial contract from British Rail to replace ageing stock on its suburban network.

In addition, its Hinslet Barclay subsidiary has record order books and the group is spending about £2.9m on building an extension to its Leeds factory and £2.5m on an extension to its factory in Kilmarnock.

The rights issue, which is on a 1-for-3 basis at 180p per share, has been underwritten by Fiske & Co. The shares fall to 20sp.

In addition, Telfos is planning to float 25 per cent of the increased share capital of its Telfos Holdings AG subsidiary, which manufactures rolling stock in central Europe, on the over-the-counter market in Vienna to raise about £4.7m.

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In addition, Telfos is planning to float 25 per cent

UK COMPANY NEWS

Pension fund boost for Molins

By Andrew Hill

A REVIEW of Molins' pension fund surplus helped push up interim profits at the cigarette machinery manufacturer, which is fighting an attempt by the British National Corporation to take control of the board.

In the six months to June 30, Molins made £7m before tax, against £6.3m in the equivalent period. The interim dividend is increased to 3p (2.5p), payable from earnings of 17.1p (13.4p) per share.

The UK group's actuaries last year valued the pension surplus at £28.4m, but now estimate it at £25m, following the better than expected performance of the fund since revaluation. The pension contribution to the interim profits increased to £1.9m (£1.4m).

Trading profits increased only 5 per cent to £6.6m (£5.5m), although margins were stronger, particularly in the tobacco machinery operation.

where the return on sales rose from 7.5 per cent to 14.5 per cent. Group turnover slipped to £58.2m (£75.4m).

Leucadia, a US manufacturing and financial services company, narrowly failed to win a bid for Molins earlier this year and now holds nearly 47 per cent of the shares.

At a special shareholder meeting next week the US company will try to oust the group's three non-executive directors, including Mr Neil Clarke, chairman, and install six nominees.

In a letter to shareholders yesterday Mr Clarke described the implication that Leucadia had offered 300p per share for Molins as "false and misleading" and said the US group would be under no obligation to launch a bid for the outstanding shares if it gained board control.

Molins also announced yesterday that Mr Michael Wright,

who has been on the UK company's board for all three unsuccessful hostile bids over the last three years, was stepping down as managing director.

Mr Peter Greenwood, another Molins executive, is to take over as managing director from tomorrow. Mr Wright is leaving to pursue his academic career, joining Asian University as professor of mechanical engineering.

"I had always planned to split half my career in industry and other half in academia," said Mr Wright yesterday.

COMMENT

Some analysts seem to think Leucadia's attempt to take over Molins' management has a grim inevitability about it, however vocal the directors' objections. If Leucadia is patient it can go on accumulating shares at 2 per cent a year

until it has control. Molins thinks such a gradual approach would not be in character for the US company. It also points out that the support of the 22 largest institutional investors in Molins would be enough to guarantee the group's precarious independence at next week's meeting. For those who are still undecided these interim figures add little to the over-rehearsed drama. Pension credits – criticised in all three of the hostile bids in the last three years – will be more than double the interim contribution in the full year, and should continue for at least 20 years; tobacco machinery profits should go on to show further benefits of the recently-developed new-generation products. But most investors are temporarily focusing on Molins' near future: if institutions waver next week, that may lie in the hands of the group's 500 small shareholders.

Atkins tumbles 22p as bid talks collapse

By Alice Rawsthorn

ATKINS BROTHERS, the Leicestershire-based textile company, yesterday saw its shares fall by 22p to 143p after it announced that it had abandoned takeover talks with a prospective bidder.

One of the main reasons for the failure of the takeover talks was the uncertainty surrounding Atkins' recent ill-fated attempt to buy back some of its shares.

The attempted buy-back had been declared void because Atkins breached the Companies Act in the transaction.

The beneficial owner of the shares – which represent 9.8 per cent of Atkins' equity – is Smith New Court, the securi-

ties house which acted as market maker to the deal. Smith New Court declined to comment on the situation.

Atkins bought the shares in February and March. It later realised that it had breached the Companies Act because there were insufficient distributable profits in its holding company to finance the deal.

However there were sufficient distributable profits within the Atkins group. Mr Bill Dawson, chairman, said Atkins was "taking top level advice to try to unscramble the whole deal".

Earlier this month Atkins was forced to postpone the payment of its final dividend.

It will pay a second interim dividend of 8.4p – in lieu of the original proposed final dividend of the same amount – on August 6.

Like the rest of the textile industry Atkins has suffered in the squeeze on the UK economy, but Mr Dawson said all its divisions were trading profitably.

Merrydown tops £2m with 27% advance

By Alice Rawsthorn

MERRYDOWN WINE, the USM-quoted cider, wine and food group, yesterday reported pre-tax profits some 27 per cent higher at £2.12m, against £1.87m, for the year ended March 31, 1990.

Turnover, helped by last year's hot summer and record levels of industry advertising, increased by over 13 per cent, from £15.12m to £16.9m. Earnings per share rose nearly 19 per cent to 23.4p (19.7p).

Mr Roy Hooper, chairman, said the group had made "a good start" to the current year. Cider sales for the first three months were ahead, and in spite of the uncertain effects of continuing high interest rates on consumer spending, he was confident that progress would be maintained.

Benefits were beginning to show from the distribution agreement signed last year

with Showerings, Allied-Lyons' cider and Perry offshoot. "But we estimate that it will be at least two years before the full potential is realised," Mr Hooper added.

There had been an encouraging increase in sales of branded and bottled products in Europe. "The potential for building our business in Europe, and ultimately elsewhere, is considerable."

Capital expenditure this

year would total £1.2m for further expansion of fermentation capacity, replacement of computer systems and general refurbishment of plant.

At the year end borrowings amounted to £1.2m compared with net assets of £7.4m.

A final dividend of 6p is proposed, bringing the total to 7p, a rise of 21 per cent on last year's adjusted 5.778p. As last year, a 1-for-8 scrip issue is also proposed.

Cooper Clarke ahead 19%

In its first year on the USM Cooper Clarke Group continued to make progress, with turnover increasing 34 per cent and pre-tax profit rising 19 per cent.

The group distributes building products.

Turnover in the year ended April 29 1990 came to £22.4m (£16.77m) and profit to £23.6m (£7.85m). From earnings of 8.74p (8.53p) per share, the dividend is 4.5p, the proposed final being 5p.

Mr Robert Ashby, chairman, said the group had performed well in the supply of products to the building industry, in spite of difficult trading conditions.

The builders' merchants side had made progress and he saw opportunities to develop certain product ranges from within that sector.

Interim profit setback at Holders Technology

HOLDERS Technology, which serves the electronic and engineering industries, saw pre-tax profit fall from £285,000 to £175,000 in the half year ended May 31 1990.

In the UK the group improved market share but had to accept an erosion in margins because it was unable to recoup fully the higher costs

arising from the weakness of the pound against the dollar and the D-Mark.

The USM-quoted group imports and distributes high precision tools and specialised materials and equipment. Turnover in the half year rose from £1.4m to £2.08m. Earnings fell to 3.57p (6.18p) but the interim dividend is held at 2p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held in the course of the month. Official notifications are not available as to whether the dividends or interim or final and the date of payment are based mainly on last year's financials.

TODAY

Interline, Chrysler, Mount Charles Investments, National Westminster Bank, & Mond Properties, Whitelock Leisure, Waitrose, Lister, Prior, Sutherland, Union

Source: FUTURE DATES
Interline ... Adminstrator ... Aug. 7
Planning Merchant Inv ... Aug. 14
Hornbeam ... Aug. 14
Reed Brothers ... Aug. 14
Record ... Aug. 15
Whitelock Wholesalers ... Aug. 15
T & N ... Aug. 15
Takara ... Aug. 15
Waitrose ... Aug. 15
Waitrose (John) ... Aug. 15
Property Security Inv ... Aug. 15

Parkfield video business for sale

The video rental and wholesale businesses of Parkfield Group, the collapsed mini-conglomerate, have been put up for sale by the administrators, writes David Owen.

The Haslemere-based group was put into administration a week ago with liabilities of about £275m.

Problems in the entertainment division, of which the video operations comprise a large part, have been widely blamed for its demise.

The businesses to be sold have a turnover of approximately £20m. Assets on the block include the Hollywood Nites retail trading identity.

Earlier this week, 80 staff were laid off from Parkfield's Southgate operation, a key element of the group's video distribution activities.

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31 July, 1990 to 31 August, 1990 the Notes will carry an interest rate of 8.225% per annum. Interest payable on the relevant interest payment date 31 August, 1990 will amount to US\$70.83 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

US\$150,000,000
Floating rate subordinated notes due 1992

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31 July, 1990 to 31 August, 1990 the Notes will carry an interest rate of 8.225% per annum. Interest payable on the relevant interest payment date 31 August, 1990 will amount to US\$70.83 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

US\$200,000,000
Floating rate subordinated notes due 2000

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31 July, 1990 to 31 August, 1990 the Notes will carry an interest rate of 8.225% per annum. Interest payable on the relevant interest payment date 31 August, 1990 will amount to US\$70.83 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

US\$204,000,000
Floating Euro-dollar repackaged assets of the Republic of Italy due 1993
F.E.R.R.I

In accordance with the provisions of the notes, notice is hereby given that for the interest period 31 July, 1990 to 31 August, 1990 the Notes will carry an interest rate of 8.225% per annum. Interest payable on the relevant interest payment date 31 August, 1990 will amount to US\$70.83 per US\$10,000 note.

Interest payable on the relevant interest payment date October 31, 1990 will amount to USD 2,060.42 per USD 100,000 note.

Agent Bank: Banque Paribas Luxembourg

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COMMODITIES AND AGRICULTURE

US producers warn of refined copper shortfall

By Kenneth Gooding, Mining Correspondent

WARNINGS THAT the western world will suffer a supply shortfall of at least 500,000 tonnes of refined copper this year have been issued by two big US producers, Asarco and Phelps Dodge.

The copper market was in surplus — but only by a small tonnage — last year for the first time since 1984 and analysts began this year forecasting another surplus in 1990.

However Asarco said it expected western world refined copper production this year to reach 9.2m tonnes while consumption would be 8.9m tonnes. Imports from eastern Europe should cut the deficit to 500,000 tonnes.

Mr Robert Bothwell, vice president of sales, said scrap stockpiles were exhausted and stocks of new refined metal were down to about a three week supply.

Supply disruptions were holding back production, he pointed out, while consumption was being driven by demand from Asia; Asarco expects Asian demand for copper to grow at an annual 3.6 per cent in the years to 1992.

Asarco, like the rest of the industry, has been trying to analyse what the changes in eastern Europe might mean to copper. "We believe the copper consumption could grow by an additional 1m tonnes in

eastern Europe in the next five years," said Mr Bothwell.

In summary, the copper market will experience excellent demand and tight supplies for the balance of this year and into the 1990s."

Phelps Dodge, the biggest US copper group, broadly confirmed the Asarco estimates and said it expected a 520,000 tonnes supply deficit this year.

The market would remain tight even though the huge Escondida mine in Chile was due to come into production at the end of 1990.

• Boliden, the mining and metals subsidiary of Trelleborg of Sweden, says it will not take legal action in a dispute with the London Metal Exchange which dates back to December 1989.

The LME, worried about potential upheavals because of tightness of supplies in the zinc market, imposed a limit on the premium to borrow cash zinc for a day, a move which also allowed sellers to profit of only \$20 a day if they were unable to deliver physical metal.

Boliden received only about 75 per cent of the zinc it had bought for delivery by the end of December, which it required to obtain maximum Swedish corporation tax benefits. It subsequently threatened to sue the LME.

Smaller suppliers to lead gold growth

By Kenneth Gooding

BOTSWANA and Mozambique are the countries expected to show the fastest percentage growth in gold mine output in the five years to 1993. Sharp rises are also expected in Indonesia, Mexico, Ghana, Papua New Guinea — and even France.

This prediction comes from the Washington-based Gold Institute, an international trade association, which has collated the projections of 206 mining entities in the 57 countries that are mining — or are expected to mine — gold during the years to 1993.

Apart from Papua New Guinea, which already is the eighth-largest gold producer and is expected to see a rise of 65 per cent in output from 1.083m to 1.79m troy ounces in 1993, rapid growth in the other countries is from a relatively low base.

Mozambique, for example, is not expected to mine any gold until this year, when 10,000 ounces should be produced, rising to 39,000 ounces in 1993. Botswana's 1,000 per cent rise is from 2,000 ounces last year to 22,000 ounces in 1993.

Indonesia's output is predicted to increase from 14.6m ounces to 56.6m over the five-year period: Mexico's from 28.0m ounces to 44.9m, and Ghana's from 41.1m ounces to 71.7m, while France's is forecast to move up from 8.8m ounces to 11.5m.

Total output from the world's gold mines is expected by the producers to rise by 15.5 per cent in the five years up to and including 1993, from 62.37m ounces last year to 72.84m ounces.

South Africa, the biggest producer, is predicted to have output virtually unchanged by 1993, at 19.48m ounces compared with 19.45m last year. Its share of world production would therefore fall from 31.3

per cent to 27 per cent.

The Soviet Union, the second-largest producer, is forecast to experience only a marginal decline in share — from 14.9 to 14.6 per cent — as its gold output rises by 13 per cent from an estimated 9.3m ounces to 10.5m.

A 35 per cent rise in gold production in China is forecast, taking the total from 2.8m ounces to 3.8m in 1993.

Over the five years, contin-

North Sea licence swap shop attracts BP

Karen Fossli on the quickening trend towards the rationalisation of oil assets



Mr John Hollis: Concentrating on exploration growth

BP NORWAY, the Norwegian unit of British Petroleum, has launched an aggressive, exploration-led growth strategy in a bid to safeguard its future sector after production declines at its two existing oil fields — Ula and Gyda.

BP is not alone in seeking to secure its future position by becoming "lean and mean".

Last month for example, Norsk Shell, the Norwegian subsidiary of Anglo-Dutch Shell, took the oil industry by surprise with the announcement that it was willing to sell, or preferably to swap, 11 of its 25 licences.

The trend towards rationalisation of assets among North Sea operators has quickened sharply in recent years. The ball was set rolling in the Norwegian sector two years ago when Statoil, the Norwegian state oil company, sold several of its interests in acreage and transportation facilities.

Adding value to core assets of oil companies' portfolios through rationalisation at "the fringe" has become acceptable to authorities after 25 years of oil and gas exploration.

It has even been suggested that the outcome of Norway's 13th licensing round will serve also to rationalise the number of oil companies in Norway.

According to Mr John Hollis, general manager, his regional operating centre is to concentrate its focus on exploration-led growth, which includes portfolio rationalisation or repositioning. It is also adopting a more targeted emphasis on core interests where the

company believes there exists a significant number of satellite oil accumulations that can be tied into the existing infrastructure in a cost-effective way.

"We are at a strategic cross-road which has forced us to find cash flow substitutes, for there is nothing on our books which can replace our existing oil fields," Mr Hollis admits.

The company aims to participate in at least eight exploration wells a year for the next three years at a cost of about Nkr3bn (2480m) and will seek to dispose of around 10 of its 21 Norwegian licences.

"There are certain licences where you drill the wells for which you have made commitments but have reached a stage where you haven't found anything which you consider interesting. This usually comes at a time when your licence fees are going up, but never going down, so you come under pressure after 'x' number of years to make progressive refinements," Mr Hollis explains.

BP has invited eight companies to bid for a 4.9 per cent stake in the Brage oil field, operated by Norsk Hydro, or to swap it for something that fits better with the core assets of the BP portfolio.

The Nkr8.4bn Brage field has 25m cu m of oil and 2.8m cu m of gas and is under development to come on stream in 1994 at a rate of 80,000 barrels a day.

The 90m cu m Hild gas field, in which BP has a 50 per cent stake, is also to be disposed of and a swap has been suggested

for an 8.33 per cent stake held by the Norwegian unit of Total, the French oil company, in block 1/3 which is situated near BP's two producing oil fields. A swap, if agreed, would give BP a discovery near core assets and would boost Total's stake in Hild to 64.4 per cent, spread over four blocks.

Norway's prospectiveness is ranked by BP second only to Canada and the company believes there is "yet to find" scope of 6bn to 7bn barrels of oil and 13 trillion (million million) cu m of gas.

This prospectiveness is illustrated by the fact that in the UK North Sea the drilling of some 900 wells discovered only about 22m barrels of oil, while in the Norwegian sector 300 wells discovered 14bn barrels of oil.

Already some 120m barrels of oil have been produced and the company believes there is scope to produce more on a sustained basis by installing two high pressure water injection pumps to optimise recovery. BP hopes to gain approval in September to raise production to 105,000-110,000 stock tank barrels a day from the current level of 94,000 b/d.

In the nearby 200m barrel Gyda field, production commenced last month at a rate of 45,000 barrels a day with a peak rate aimed at 60,000 barrels a day in August. Later this

year a new well will be drilled in a southern extension of the field and there may be scope to sustain peak production till the turn of the century if satellite prospects can be proven.

Near each of these fields BP believes there exist three or four satellite accumulations that could be tied economically into existing facilities.

In the relatively new Halden bank province off the coast of mid-Norway BP has a 14 per cent stake in the NK10bn Drangsten oil field, which is to come on stream in 1993. Although BP does not operate Drangsten it believes there is satellite oil accumulation potential on neighbouring blocks where it also participates and is seeking to encourage other partners to step up exploration activity there.

All told there are at least six blocks where BP is confident about the potential to find significant amounts of oil and gas, which it will have to do in order to sustain production operations into the next century.

In Norway's 12th licensing round BP scored big: it was awarded five licences and two operatorships. It has mounted an aggressive campaign for the 13th round and says it will be disappointed if the results, which are to be announced next spring, do not at least match the number of awards and operatorships it gained from the 12th round.

If BP fails to score well in the 13th round the life of the company in Norway could be measured by the production life of its Ula and Gyda fields. In Norway's 12th licensing round BP scored big: it was awarded five licences and two operatorships. It has mounted an aggressive campaign for the 13th round and says it will be disappointed if the results, which are to be announced next spring, do not at least match the number of awards and operatorships it gained from the 12th round.

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Norway forecast to boost crude output

NORWAY, western Europe's second biggest oil producer, behind Britain, and its third biggest gas producer, is poised to see a dramatic rise in crude oil production to 1.9m barrels a day by the fourth quarter of this year from a yearly average of 1.7m barrels a day, according to a report by County NatWest Wood Mackenzie, the Edinburgh-based analyst, writes Karen Fossli.

The recovery, says CNW, will result from improved performance from the Gullfaks and Velefjord fields, higher-than-expected production from the Statfjord and Oseberg fields, new fields coming on stream and the lifting of a self-imposed production curb for the second half of 1990.

According to CNW crude oil output in the first half of this year averaged 1.67m barrels a day. For the third quarter production will fall to 1.5m barrels a day because of maintenance work and planned shutdowns and the offshore oil workers' strike in July.

Norway's crude oil production in 1980 was about 526,000 barrels a day. It climbed to 1.2m barrels a day by 1988 and further to 1.54m barrels a day in 1989, a rise of 28 per cent.

For 1990, production will rise by 10 per cent to 1.7m barrels a day, CNW forecasts. • Norway's Oil and Energy Ministry, in an in-house study, forecast that Norway's production would peak in the mid-1990s at 2.3m barrels a day.

THE rubber market, where

prices have been on a downward march since early July, is again nearing the point of testing the resolve of the International Natural Rubber Organisation (INRO) to support it.

Inro, which had held prices for six months at 181-183 Malaya/Singapore cents, cut its support price by 5 per cent on July 10. The result has been a steady fall in Inro's daily and five-day average indicator prices. Late this week they were down to 178 cents, 2 cents above the buffer stock manager's new "may-buy" level of 176 cents, compared with 185 cents before the change.

The swift decline seems to have been widely expected, and by Inro in particular. It had been anticipating that the market would respond "psychologically" in following the cut, one official there said. Moreover, tyre sales are still slow and rubber stocks high.

Prices began weakening just seven months ahead of the scheduled July revision of the

INRO council meeting. To set

those new levels, Inro's rules require that it uses the preceding six-month average market prices. Another revision, the third under the second International Natural Rubber Agreement (Inra II), must wait 15 more months until at least September 1991.

Despite this long lag, there is optimism at Inro that intervention may be unnecessary and that the decline in the market is simply a short-run event.

Though Inra II provides for a stockpile capacity of 550,000 tonnes, the buffer stock manager is today, unlike in the days of Inra I, a reluctant player in the market.

The swift decline seems to have been widely expected, and by Inro in particular. It had been anticipating that the market would respond "psychologically" in following the cut, one official there said. Moreover, tyre sales are still slow and rubber stocks high.

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LONDON STOCK EXCHANGE

Equities slide in thin trading volume

THE DRAWS investment background continued to bear down on the UK stockmarket yesterday, inspiring another poor performance from the blue chip stocks. Weakness in Tokyo and New York equities and the continued rise in sterling depressed the international stocks in a session featured by one of the lowest levels of daily trading volume on record.

The lack of institutional trading interest was reflected in fresh evidence of tightening strains in the Inter Dealer Broker (IDB) market, where one of the four traders cut commission rates on leading stocks to only 0.05 per cent. IDB firms,

Account Dealing Dates		
First Dealing:	Aug 5	Aug 20
Option Dealing:	Aug 2	Aug 16
Last Dealing:	Aug 17	Sep 7
Options Day:	Aug 13	Aug 25
Aug 13	Sep 17	

More than 2000 deals were done in two business days earlier

of 344.7m on Friday. Detailed statistics from the International Stock Exchange show that daily equity volume has not reached the \$1bn mark regarded as the minimum for a healthy market for nearly two weeks.

Yesterday's turnover was even more dismal than appeared because the trading volume total was swollen by activity in a few individual stocks; a \$1m block of Maxwell Communications shares crossed on the floor of the exchange, and STC, the electronics group, traded 1.1m shares following the interim results and confirmation that Fujitsu is acquiring ICL, the

mainframe computer subsidiary of STC; another large deal, the sale by Prudential Assurance of its 3.8 per cent stake in J. Rothschild to Rothschild interests, was disclosed yesterday but had been completed on Friday.

Outside these specific areas, it was an unexciting day. Equities opened lower and soon showed a near 19 point loss on the FT-SE scale as London traders shied away from new stocks on the floor of the exchange, and STC, the electronics group, traded 1.1m shares following the interim results and confirmation that Fujitsu is acquiring ICL, the

London following Wall Street almost afloat, extending its loss when the Dow opened 20 points off, rallying as the Dow rallied and then losing heart again in New York turned down again.

The final reading put the FT-SE Index at 2,316.5, with a loss of 13.6 on the day. Despite some nervousness among equity strategists as the market slides towards FT-SE 2,300, many continue to recommend clients to buy equities on their current weakness. At Nomura Research Institute, Mr Nicholas Kavvouni, a notable bull of the UK equity market, headed a note to clients: "Knee-jerk reaction to US weakness offers Golden Opportunity."

Mixed views on STC news

CONFIRMATION that STC is selling 80 per cent of its ICL computer operation to Fujitsu did nothing to steady the stock. Traders concentrated initially on the company's interim profits, 32 per cent down to £77.7m, and the shares fell quickly.

In addition, analysts were unimpressed with the annual meeting, with Mr Brian Newson of Henderson Crosthwaite saying that the key point was that the £50m profit from ICL's best month of December 1990 would not be consolidated into STC's figures. He said that STC would only make around £10m in earned interest from ICL's 270m price tag.

That was echoed by other analysts' views that forecasts for current year profits, mostly in the £240m to £245m range, would be cut to less than £200m.

Analysts conceded that it was difficult to give investors unequivocal advice. They said that while figures from the company were not going to be good, there remained the possibility of a bid for the rump of STC, with Alcatel of France remaining researchers' favoured predator.

STC lost 21 to 267p, the day's lowest level. Turnover was 11m shares.

The effect of comments made recently by Mr Peter Lilley, the new Trade and Industry Secretary, that the UK government, did not help

try Secretary, that the UK intends to take a harder position against foreign state-controlled companies making acquisitions in the UK continued to depress Enterprise Oil.

Enterprise's bid had been lifted by a bid from Elf, the French oil company, in which the French Government has a majority holding. Elf has a near 25 per cent stake in Enterprise, but a press report yesterday suggested that Elf may now turn its attention to Lusmo.

Most analysts were doubtful of the suggestions, with some believing that a bid in some form by Elf for Enterprise remained a possibility. However, talk that ICI could liquidate its near 25 per cent stake in Enterprise would continue to restrain an immediate recovery, analysts said.

Enterprise closed 14 lower at 67p, while Lusmo was a penny better at 41p.

Clearing banks

Clearing banks jockeyed for position ahead of a series of half-time results due this week. NatWest, reporting today, lost 6 to 325p. Midland, with interims on Thursday, eased 2 to 282p, and Barclays, which rounds off the season on Friday, retreated 8 to 386p.

Abbey National, with

interim figures expected tomorrow, fell 6 to 214p. STC Phillips & Drew said yesterday that Abbott's interest rate margins might be shown to be contracting in those figures. Traders also said that a Monday press story that defaults on building society mortgage repayments were increasing had had little effect.

Six blocks of 9m shares each in J. Rothschild were recorded on STC's overnight ticket representing, with the double option of 1m, a total of 28m shares purchased by Lord Rothschild, his family and associates. The seller was Prudential Portfolio Managers, part of Prudential Portfolio and the price was 158p a share. Rothschild added 5 at 153p. Prudential slipped 5 to 231p.

Heavy trading in Maxwell Communications, including one block of 9m shares, set tongues wagging. Goldman Sachs was bidding for the stock for most of the session so traders assumed that the stock had been sold by a UK institution into the US. The weakness of the shares - the price fell 9% to 174 1/2p - was attributed to detailed comment in the morning press on the company's latest accounts. The possibility of the company becoming involved in the purchase of PowerGen from the UK Government, did not help

sentiment. Total turnover for STC was 20m shares.

Last week's warning on profits from Reed International continued to bear down on the publishing sector. Pearson, additionally hit by press suggestions that losses BSB, the satellite television company in which it has a large holding, would continue for several years, lost 22 to 720p. Another BSB shareholder, Granada, eased 3 to 222p.

Atkins Brothers (Bossey), maker and distributor of hosiery and knitwear and electronically-controlled display systems, dropped sharply by 32 to 143p after the company said that bid talks announced on

Wednesday had not come to fruition. Analysts expect profits to rise to 55p from 52.5p last time despite the slower pace of US automotive products demand. "It has emerged unscathed," one analyst said.

Unilever and Cadbury Schweizer were underpinned by positive notes from Klein-

wort Benson. Unilever had been underpinned by the market despite stronger growth prospects for the company. Kleinwort believed and said it had strengthened its buying stance on the stock. Meanwhile, it moved from a hold to a medium-term buy on Cadbury on the belief that it had been neglected by the market and remained a bid target. Unilever finished 3 lower at 880p, while Cadbury was off 1p, ending at 345p. Unilever rose 3 to 318p as the market continued to react favourably to the appointment of Mr Ross Buckland as the new chief executive. However, turnover at just 59,000 shares, was low.

The depressed state of the UK property market was underlined yesterday as City-

grove announced that it expected substantial losses at its 270p following the decision last week by the Trade and Industry Secretary to refer the proposed acquisition by Teletronic AB of McKechnie Extruded Products to the Monopolies and Mergers Commission.

TI Group eased 14 to 520p on profit-taking before its interim results on Wednesday. Analysts expect profits to rise to 55p from 52.5p last time despite the slower pace of US automotive products demand.

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McKechnie eased a further 3 to 270p following the decision last week by the Trade and Industry Secretary to refer the proposed acquisition by Teletronic AB of McKechnie Extruded Products to the Monopolies and Mergers Commission.

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■ Other Market statistics, including the FT-Actuaries share index, Page 30

Based on trading volume for most Alpha securities dealt through the SEAG system yesterday until 4.30pm.

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NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (22) BRITISH FUNDS (12) BREWERS (2) STORES (1) ELECTRICALS (2) BUSINESS SERVICES (2) PERSONAL CARE (1) PAPER, DIPLOMAS, ETC. (1) PRINTERS (1) PAPER (1) TRUSTS (2)

NEW LOWS (139) AMERICANS (25) CANADIANS (4) BANKS (9) BREWERS (7) BUILDINGS (7) CHEMICALS

July 10 had ended.

News that the chairman of Bardon, the quarrying and building group, together with his family interests, may sell their 57 per cent stake lifted the stock from 146p to 175p. The chairman said he and the other members of the family may consider selling all or part of their holdings, and that he has been appointed to negotiate any such family deal.

While the market sagged, brewery issues had a relatively good day. They were helped by a re-recurrence of talk that Labatt, the brewing arm of the Toronto-based Peter and Edward Brewin interests, was keen to buy a part of a UK brewer, Scottish & Newcastle, up 4 at 381p, was once again the company mentioned, but traders were sceptical.

Grand Metropolitan, hit hard last week in the wake of disappointing figures from McDonald's, through its ownership of rival Burger King, recovered 10 yesterday to 560p. At least one analyst said that, far from being affected by a downturn in hamburger sales, Burger King was taking market share from its competitor. There was also speculation that GrandMet might sell its Express Dairy operation.

Weekend press comment helped Galgorm add 3 at 305p, and the sector's good news sent Whitbread firm 4 to 467p.

Merrydown Wine jumped 15 to 475p in response to 27 per cent profit growth and a one-for-eleven stock issue. The company said that it had made a good start to the current financial year.

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APPOINTMENTS

20. He was with McKinsey & Co Inc where he was an adviser to the Pepe Group. Mr Alfred Nathan, Mr Sidney Higgs, Mr Tim Guyer, Mr Eric Farmer, Mr Michael Nix, Mr Fulton Paterson, Mr David Hensher, Mr Richard Jackson, Mr David Bolland, Mr Iain Gordon, Mr Eric Burrell, and Mr Shane O'Grady, Charlton Seal Schaverien, a subsidiary of Benchmark Group, closed last Friday (July 27). Charles Stanley & Co is a subsidiary of The Oceans Consolidated Co.

■ FERRARI HOLDINGS has appointed Mr Peter Marshall as group chairman. He is chairman of Ocean Group, and a director of Astec (BSR), and Hogg Robinson.

■ INSTANT has appointed Ms Angela Pottier, an Open University tutor, as director of research and academic development.

■ DR Martin Steyford will be joining R. CLARKSON AND COMPANY in August as managing director of subsidiary Clarkson Research Studies, a new post.

■ PEPSI COLA INTERNATIONAL has appointed Mr Malcolm L. Hall as finance director - Africa, based in London. He was group financial controller of Guinness.

■ Mr Roger Levick has been appointed chief executive of EDWARDS OF ENFIELD, a new post. He was managing director of McPherson Paints.

■ Mr Stephen Foster has been appointed sales and marketing director of MPL POWER SYSTEMS. He was previously with Amdahl UK, and Norsk Data.

■ Mr Brian Chalver, chairman of Laim Properties until the PwC/Chelsfield bid earlier this year, has been appointed executive chairman of SEAFIELD, taking over from Mr James Smith who was appointed on an interim basis in June.

■ DAVID BROWN CORPORATION has appointed Mr Norman Boyd (pictured) as managing director of subsidiary David Brown Radicon. He was managing director, spring division, Tinsley Wire Industries.

■ PEPE GROUP has appointed Mr Joe Sinyor as chief executive officer from August

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from the receivers last month. Mr Beattie was general manager of a subsidiary of ASD.

Stock Exchange finance chief

■ Ms Jane Barker has been appointed chief financial officer of THE INTERNATIONAL STOCK EXCHANGE from September 10. She is chief financial officer of C.T. Bowring & Co.

■ T&N has appointed Mr James W. Murray to the board of Periodo. He is president of Nutum Corporation. T&N's US subsidiary which also manufactures braking products. Mr Michael T. Powers has been appointed president of Supernet Inc, Dayton, Ohio, succeeding Mr W.J. Rote who has left the group.

■ Mr Peter Birch, group chief executive of Abbey National, and Mr Lindsay Mackinlay, formerly an executive director of Rowntree, have been appointed non-executive directors of ARGOS.

■ NMW COMPUTERS has appointed Mr Andrew Murray to the main board as director (designate) sales and marketing from tomorrow. He was a founding director of Cifocus Consultants.

■ REEVES BROWN ASSOCIATES, actuaries, has appointed Mr Paul Stanway as a director from August 6. He was head of the pensions department at Friends Provident.

■ VISION ENGINEERING, Woking, optical inspection instrument manufacturer, has promoted Mr Alan D. McElhinney to financial director from tomorrow. He was chief accountant.

■ Mr Ivor Rhodes has been appointed operations director for HAYWARD TYLER, Luton, a Sterling company.

■ Mr Stephen Ayton has been promoted to divisional director - marketing at the M.L. GROUP. He was marketing manager.

■ CHARLES STANLEY & CO, stockbrokers, has been joined by the following stock exchange members, formerly with Charlton Seal Schaverien: Mr Keith Pinder, Mr Ilias Mavroleon, Mr Peter Goodbody, Mr Alan Watson, Mr Paul Lloyd, Mr Douglas Sammons, Mr Bernard

■ KPMG PEAT MARWICK PUBLIC SECTOR CONSULTANTS has appointed Mr Martin Davies (pictured) as national lead consultant - education management from October 1. He is director of the National Curriculum Council, and was previously director of education for the City of Newcastle upon Tyne.

■ Mr Brian Beattie has been appointed by the Henry Barrett Group as managing director of CONSETT STEEL SERVICES, which the Bradford-based group bought

■ Mr Ian Leachly, chairman of SMITHKLINE BEECHAM, has been elected to the board of SmithKline Beecham plc. He joined the group last month, and previously was president and chief operating officer of Squibb Corporation.

■ PHONEPOINT, an international consortium of British, European and US telecommunications companies, and stated to be the world's first telephone operator, has appointed Mr Roger Best as managing director. He was president of the US Colcord operation.

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FT MANAGED FUNDS SERVICE

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Unit Trust Name	Unit Trust Code	Unit Price	Unit Price + %	Yield	Unit Trust Name	Unit Trust Code	Unit Price	Unit Price + %	Yield	Unit Trust Name	Unit Trust Code	Unit Price	Unit Price + %	Yield	Unit Trust Name	Unit Trust Code	Unit Price	Unit Price + %	Yield
Thames Unit Trust Managers Ltd (124001F)	071-252-2126	£1.00	£1.00	0.00	Philips & Drews Fund Managers Ltd	071-334 5044	£1.00	£1.00	0.00	Barclays Life Assur. Co Ltd	071-724 2570	£1.00	£1.00	0.00	Holden Administrators - Capital	081-449 0020	£1.00	£1.00	0.00
Costco	071-73 47 47 00	£1.00	£1.00	0.00	-	-	-	-	-	Liberty Life Assurance Co Ltd	081-449 0020	£1.00	£1.00	0.00	Merchant Investors Assurance Co Ltd	081-449 0020	£1.00	£1.00	0.00
Thames Unit Trust Managers Ltd (100001F)	071-493 7232	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen A	081-35	£1.00	£1.00	0.00	Cost	081-449 0020	£1.00	£1.00	0.00
31 Capital Fund Ltd (114 114 FHS)	071-493 7232	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen B	081-36	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
American Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen C	081-37	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
For Lovers Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen D	081-38	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
For Lovers Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen E	081-39	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen F	081-40	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
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Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen J	081-44	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen K	081-45	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen L	081-46	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen M	081-47	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen N	081-48	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen O	081-49	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen P	081-50	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen Q	081-51	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen R	081-52	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen S	081-53	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen T	081-54	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen U	081-55	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen V	081-56	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen W	081-57	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen X	081-58	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen Y	081-59	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen Z	081-60	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen A	081-61	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen B	081-62	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen C	081-63	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen D	081-64	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen E	081-65	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen F	081-66	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen G	081-67	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen H	081-68	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.00	-	-	-	-	-	Set Gen I	081-69	£1.00	£1.00	0.00	MI Car Executive	081-449 0020	£1.00	£1.00	0.00
Golden Corp	071-78 36 49 21	£1.00	£1.00	0.															

FT MANAGED FUNDS SERVICE

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Mid Price	Offer + w	Yield	Mid Price	Offer + w	Yield	Mid Price	Offer + w	Yield	Mid Price	Offer + w	Yield	Mid Price	Offer + w	Yield	Mid Price	Offer + w	Yield	Mid Price	Offer + w	Yield
Norwich Union Asset Management Ltd	PO Box 124, Norwich NR1 1ES	0803 030505	Provident Capital Life Assc. Co Ltd	Contd.	Royal Life Insurance Ltd	Skandia Life Assurance Co Ltd - Contd.	Son Alliance Group - Contd.	Winton Life Assur Co Ltd	Sun Alliance International Life	J. D. Ward Financial Services Ltd										
Managed Fund	65.3	59.0	-0.5	UK Fixed Int. Fund	189.7	228.1	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	PO Box 77, New St, St Peter Port, Guernsey	91 Kingsway, London WC2B 4AB										
Small Bond Fund	50.5	52.2	-0.6	UK Fixed Int. Assur.	189.2	192.6	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Equity Fund	70.8	62.7	-0.6	UK Managed Acc.	159.9	162.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
International Fund	29.5	52.7	-0.6	Recovery Acc.	212.9	220.4	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
North America Fund	57.3	62.5	-0.6	Special Market Acc.	264.3	278.9	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Pacific Fund	54.6	67.8	-0.6	Specialist Fund	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Fixed Interest Fund	37.9	54.6	-0.4	Stability Acc.	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Dividend Fund	52.4	57.0	-0.4	Stability Fund	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
UK Ordinary Share Fund	52.7	57.0	-0.4	Stability Fund	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Investment Fund	52.8	57.0	-0.4	Stability Fund	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
High Interest Fund	61.4	64.9	-0.5	Stability Fund	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Deposit Fund	75.8	77.1	-0.1	Stability Fund	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
WILLIAM GRET			Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB											
Managed Fund	69.4	65.0	-0.6	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Equity Fund	103.7	102.9	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Property Fund	125.4	124.0	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Fixed Interest Fund	104.7	103.9	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Dividend Fund	105.3	104.5	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
UK Ordinary Share Fund	105.7	104.9	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Investment Fund	105.8	104.9	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
High Interest Fund	106.4	105.6	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Deposit Fund	107.3	106.5	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Norwich Union Life Insurance Soc.	General Office, Norwich NR1 1ES	0808 402200	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB											
With Profit Fund	103.15	108.58	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Managed Fund	50.7	55.0	-0.6	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
UK One Share Fund	50.7	55.0	-0.6	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Equity Fund	104.11	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Managed Fund	104.15	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Equity Fund	104.15	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Property Fund	104.15	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Fixed Interest Fund	104.15	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Dividend Fund	104.15	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
UK Ordinary Share Fund	104.15	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Investment Fund	104.15	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
High Interest Fund	104.15	107.24	-0.3	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Deposit Fund	105.3	104.5	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
WILLIAM GRET			Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB											
Managed Fund	69.4	65.0	-0.6	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Equity Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Property Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Fixed Interest Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Dividend Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
UK Ordinary Share Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Investment Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
High Interest Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Deposit Fund	105.3	104.5	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
WILLIAM GRET			Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB											
Managed Fund	69.4	65.0	-0.6	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Equity Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Property Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Fixed Interest Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
Dividend Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway, London WC2B 4AB										
UK Ordinary Share Fund	104.2	103.4	-0.4	Group Funds	122.2	125.0	Skandia Life Assur Co Ltd - Contd.	Winton Life Assur Co Ltd	125a New St, St Peter Port, Guernsey	100 Kingsway,										

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Spanish peseta falls back

THE SPANISH peseta weakened within the European Monetary System exchange rate mechanism yesterday. It fell back well within its agreed 6 per cent band of movement. This took some of the immediate pressure off the system, but the Italian lira remained at its 2.25 per cent ceiling against the weaker EMS members.

A combination of Bank of Spain intervention on the foreign exchanges and lower money market interest rates in Madrid appeared to be behind the peseta's decline. In early European trading dealers reported the Spanish central bank as a seller of pesetas against the dollar in a range of Ptas98.50 to Ptas99.20. This stabilised the dollar at around Ptas99.15-20 later in the morning, but by the London close the generally weak US currency had declined to Ptas96.80.

The intervention coincided with speculation about cuts in official interest rates by several EMS countries, including Spain and Italy. The Bank of Spain drained liquidity from the money market in Madrid by an overnight sale of certificates at a rate of 14.40 per cent. This was below the central bank's market intervention rate of 14.65 per cent, but dealers said there was no indication yet of any change in the

authorities' firm interest rate policy. A test of official policy could come on Friday when the central bank is expected to auction Bank of Spain certificates. The market will be looking to see whether the rate of 14.65 per cent is maintained on this paper.

At the London close the Spanish currency had slipped against the D-Mark to DM1.6255 from DM1.6225 per 100 pesetas, and had also fallen in terms of the French franc to FF15.4770 from FF15.4675 per 100. The French franc maintained its recent improvement within the EMS, helped by the decision of the Bank of France to leave its money market intervention rate unchanged.

Outside the EMS the Japanese yen and sterling were firm, but the dollar lost

ground. Interest rates were the major factor moving currencies, including speculation that the Bank of Japan may increase its discount rate in the foreseeable future. High London interest rates supported sterling, while doubts about the Federal Reserve's monetary policy tended to undermine the dollar.

In London the dollar closed lower against all major currencies, falling to DM1.6085 from DM1.6145, to Y142.20 from Y149.60, to SF1.3645 from SF1.3860, and to FF15.5300 from FF15.4075. On Bank of England figures the dollar's index fell to 64.7 from 65.1.

Sterling rose 1 cent to \$1.6455. The pound also climbed to DM2.9675 from DM2.9625; to SF2.5175 from SF2.5100; and to FF15.9425 from FF15.9200, but eased to Y273.25 from Y274.50. Sterling's index gained 0.2 to 94.1.

EURO-CURRENCY INTEREST RATES

Jul 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
1. Spot	1,040.00-1,040.00	1,037.00-1,037.00	1,034.00-1,034.00	1,031.00-1,031.00	1,028.00-1,028.00	1,025.00-1,025.00
1 month	1,037.00-1,037.00	1,034.00-1,034.00	1,031.00-1,031.00	1,028.00-1,028.00	1,025.00-1,025.00	1,022.00-1,022.00
3 months	1,033.00-1,033.00	1,030.00-1,030.00	1,027.00-1,027.00	1,024.00-1,024.00	1,021.00-1,021.00	1,018.00-1,018.00
12 months	1,030.00-1,030.00	1,027.00-1,027.00	1,024.00-1,024.00	1,021.00-1,021.00	1,018.00-1,018.00	1,015.00-1,015.00

Long term Eurodollar: two years 8.5-8.5 per cent; three years 8.5-8.5 per cent; four years 8.5-8.5 per cent; five years 8.5-8.5 per cent; short term 8.5-8.5 per cent. Short term rates are call for US dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

Jul 30	Day's	Days' notice	One month	Three months	Six months	One year
US	1,039.00-1,040.00	1,040.00-1,040.00	1,039.00-1,040.00	1,038.00-1,039.00	1,037.00-1,038.00	1,036.00-1,037.00
US Dollar	1,032.00-1,033.00	1,034.00-1,034.00	1,032.00-1,033.00	1,030.00-1,031.00	1,028.00-1,029.00	1,026.00-1,027.00
Can.	1,032.00-1,033.00	1,034.00-1,034.00	1,032.00-1,033.00	1,030.00-1,031.00	1,028.00-1,029.00	1,026.00-1,027.00
Sw. Franc	1,031.00-1,032.00	1,033.00-1,033.00	1,031.00-1,032.00	1,030.00-1,031.00	1,028.00-1,029.00	1,026.00-1,027.00
Deutsch.	1,034.00-1,035.00	1,036.00-1,036.00	1,034.00-1,035.00	1,033.00-1,034.00	1,031.00-1,032.00	1,029.00-1,030.00
Italian Lira	1,031.00-1,032.00	1,033.00-1,033.00	1,031.00-1,032.00	1,030.00-1,031.00	1,028.00-1,029.00	1,026.00-1,027.00
Belgian Franc	1,032.00-1,033.00	1,034.00-1,034.00	1,032.00-1,033.00	1,031.00-1,032.00	1,029.00-1,030.00	1,027.00-1,028.00
D. Krong	1,030.00-1,031.00	1,032.00-1,032.00	1,030.00-1,031.00	1,029.00-1,030.00	1,027.00-1,028.00	1,025.00-1,026.00
Austrian Shillings	1,030.00-1,031.00	1,032.00-1,032.00	1,030.00-1,031.00	1,029.00-1,030.00	1,027.00-1,028.00	1,025.00-1,026.00
ECU	1,034.00-1,035.00	1,036.00-1,036.00	1,034.00-1,035.00	1,033.00-1,034.00	1,031.00-1,032.00	1,029.00-1,030.00

Commercial rates taken towards the end of London trading. One UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY RATES

July 30	Date	Bank of England	Special Drawing Rights	European Currency Unit
Sterling	7	0.999000	0.99702	1,029.00
U.S. Dollar	1	1.34869	1.32947	1,029.00
Canadian Dollar	1.32	1.34869	1.32947	1,029.00
Austrian Shillings	1.32	1.34869	1.32947	1,029.00
Belgian Franc	104	42.5765	42.5765	1,029.00
French Franc	104	6.0355	6.0355	1,029.00
Deutsch. Mark	6.60	2.3765	2.3765	1,029.00
Italian Lira	10.00	2.46575	2.46575	1,029.00
Swiss Franc	7.00	2.46575	2.46575	1,029.00
French Franc	104	6.03106	6.03106	1,029.00
Deutsch. Mark	6.60	2.3725	2.3725	1,029.00
Italian Lira	10.00	2.4625	2.4625	1,029.00
Swiss Franc	7.00	2.4625	2.4625	1,029.00
Japanese Yen	54.00	2.03045	2.03045	1,029.00
Austrian Shillings	1.32	1.37470	1.37470	1,029.00
Swedish Krona	11	7.97143	7.97143	1,029.00
Swiss Franc	6.00	1.59175	1.59175	1,029.00
Greek Drach.	204	2.02740	2.02740	1,029.00
Irish Punt	1	0.77103	0.77103	1,029.00

All European intervention calculations. All SDR rates are for July 27.

CURRENCY MOVEMENTS

July 30	Bank of England	Special Drawing Rights	European Currency Unit
Sterling	94.1	-13.5	1,029.00
U.S. Dollar	64.7	-13.5	1,029.00
Canadian Dollar	124.3	-13.5	1,029.00
Austrian Shillings	111.4	-13.5	1,029.00
Belgian Franc	111.4	-13.5	1,029.00
Deutsch. Mark	110.4	-4.7	1,029.00
Italian Lira	110.4	-13.5	1,029.00
Swiss Franc	111.4	-13.5	1,029.00
French Franc	111.4	-13.5	1,029.00
Irish Punt	111.4	-13.5	1,029.00
Japanese Yen	54.0	-13.5	1,029.00
Austrian Shillings	11.32	-5.6	1,029.00
Swedish Krona	11	-2.25	1,029.00
Swiss Franc	6.00	-2.25	1,029.00
Greek Drach.	204	-2.25	1,029.00
Irish Punt	1	-2.25	1,029.00

Commercial rates taken towards the end of London trading. One UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

OTHER CURRENCIES

Jul 30	E	S
Argentina	1,022.00-1,022.00	1,022.00-1,022.00
Australia	2,335.00-2,335.00	2,326.00-2,326.00
Brazil	2,326.00-2,326.00	2,326.00-2,326.00
Finland	269.35-270.75	269.35-270.75
Greec	269.35-270.75	269.35-270.75
Hong Kong	14.3450-14.3775	14.3450-14.3775
Iraq	124.705	124.705
Korea(Sud)	1,031.15-1,032.15	1,031.15-1,032.15
Korea(Nor)	712.50-718.10	712.50-718.10
Kuwait	1,030.00-1,031.00	1,030.00-1,031.00
Liberia	1,030.00-1,031.00	1,030.00-1,031.00
Malaysia	2,705.00-2,705.00	2,705.00-2,705.00
Mexico	2,705.00-2,705.00	2,705.00-2,705.00
New Zealand	1,031.15-1,032.15	1,031.15-1,032.15
Peru	1,030.00-1,031.00	1,030.00-1,031.00
South Africa	3,340.00-3,340.00	

WORLD STOCK MARKETS

4pm prices July 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES



Continued on Page 45

AMERICA

Dow rebounds after depression over UAL

Wall Street

FRESH SIGNS of trouble with the proposed buy-out of UAL, together with worries about the weakness of the US economy and poor corporate profitability, sent the equity market lower yesterday, but a late recovery in blue chips left the Dow Jones Industrial Average higher on balance, writes Janet Bush in New York.

The broad-based Standard & Poor's 500, far more representative of the market than the 30 shares in the Dow blue chip indicator, was quoted 2.22 down at the close at 351.22.

The Dow Industrial, which traded more than 20 points lower during the morning session, closed a net 18.81 up at 2,917.32 after the late surge. New York SE volume totalled a

moderate 147m shares, while declines still led gains at the finish by 732 to 710. On Friday, the Dow fell 22 points to 2,898.51, its lowest close of the month and more than 100 points under its peak level of a fortnight ago.

The Nasdaq Composite of over-the-counter issues rallied from a loss of nearly 5 points to close a net 3.22 up at 439.37. The over-the-counter market was put under pressure by weak technology issues, but these recovered from their lows. Microsoft lost \$1 at \$68.3.

The Dow Jones Transportation Index fell 9.67 to 1,255.00, partially reflecting weakness in UAL, which was 36¢ lower at \$165.6. It appeared that Chemical Bank, one of the five lead banks for the proposed \$4.28bn buy-out of the parent company of United Airlines, has with-

drawn from its involvement, although it seemed yesterday that the bank could be persuaded back in again.

These reports of another setback with the UAL deal prompted selling of other air-line stocks. AMR, the parent of American Airlines, shed \$1 to \$55.6 and Delta eased \$4 to \$64.6.

UAL's history with the stock market made conditions nervous - the collapse of the original buy-out triggered the mini-crash last October. Investors were already on the defensive after Friday's weak gross national product figures for the second quarter.

A number of well-known stock market newsletters have turned negative on prospects, citing a deterioration in the economy. Mr Martin Zweig of the Zweig Forecast said he was

queasy about the economy and was advising his subscribers to keep only about 40 per cent of their money in stocks.

Growth stocks, which were largely responsible for the Dow's rise to nearly 3,000, seem recently to have fallen from favour, although some rebounded yesterday. Mr Zweig said he had sold Procter & Gamble shares recently because they had reached a multiple of 20 times earnings. Procter was 8¢ lower during the morning, but recovered to close 5¢ ahead on the day at \$86.3. PepsiCo was down \$1 at \$77.5. Coca-Cola rallied to close 5¢ higher at \$45.5, and McDonalds shed 5¢ before closing a net \$3 up at \$32.

Oil issues continued to defy the market's weak performance, rising in the wake of last week's Opec agreement to

set a higher target price for crude oil. Rising oil issues supported the Dow. Chevron gained 51¢ to \$78.

Canada

THE TORONTO market also showed some recovery from early easiness after a lacklustre session.

The composite index lost just 1.18 on the day at 3,540.74 and declined by a narrow 264 to 222 advantage over advances at the finish after a volume of 15.3m shares.

Standard Trustco fell C\$1.4 to C\$16. The company said it has commissioned an audit of its six-month results after discussions with regulators. The audit will include appraisals of the security, particularly real estate, on loans held by its Standard Trust unit.

EUROPE

Oslo hits record in busy trade after Opec accord

THE ISTANBUL Stock Exchange (IMKB) index yesterday closed above the psychological 5,000 mark for the first time, writes Jim Bodenier in Ankara. It had been hovering near that level all last week, and broke through it temporarily during Friday's trading. Brokers and IMKB officials said that this augured well for the market, which has been in a steady bull phase since the spring.

The index stood at 5,164, up 177, towards the close yesterday on a trading volume of TL1.10bn (341m). In spite of volatile share prices, the increasing volumes indicated a healthy depth and breadth to trading, most brokers agreed.

Montedison

Share price (Lira)
2100
2050
2000
1950
1900
1850
Jun 1990 Jul

Norsk Hydro, which had been active in New York on Friday night, gained NKr1 to NKr211 in trading worth NKr1.5bn. Investors' confidence about the outlook for the oil price outweighed disappointment with the company's results last week, which were at the low end of expectations.

Hansfors Nycomed, the pharmaceuticals and energy slipped NKr1 to NKr175 after announcing a rise in first-half profits in line with expectations.

FRANKFURT had one of its quietest days this year, mainly due to the summer lull, as first-half results from Dresdner Bank and Bayerische Vereinsbank failed to give the market new direction. From a technical point of view, the DAX was approaching the 1,900 level, which some traders expected would offer some support. Volume dropped to DM4.2bn from DM5.5bn on Friday. The DAX index eased 8.12 to 1,911.69 and the FAZ index, calculated at mid-session, fell 4.81 to 812.19.

Dresdner Bank, which reported a rise in first-half profits, partial operating profit to DM956m from DM78m, on the low side of expectations, fell DM4 to DM451.50. Bayern-Verein eased DM2 to DM437 after reporting a rise in group partial operating profit to DM421m from DM406m.

MILAN gave a warm welcome to Mr Raul Gardini's merger of Montedison and Ferruzzi Agricola Finanziaria, the terms of which appeared to treat all shareholders equally. The restructuring was judged to be particularly helpful for Montedison; its earnings from chemical operations would in future be balanced by the anti-cyclical earnings from Ferruzzi.

Rhône-Poulenc continued to fall on depression about prospects for the chemicals sector.

Chemicals, insurers and banks were mostly easier while machineries were steady. Against the trend, Nestlé bearers were SF40 firmer at SF78.570 while the company's registered shares shed SF3.50 to SF78.230. Nestlé is due to announce its first half results this week.

MADRID fell further in quiet trade. Construction stock Uralita lost Pta290 to Pta245.

SOUTH AFRICA

GOLD SHARES drifted lower in lifeless trading. The JSE all-gold index fell 18 to 1,338 and the overall share index slipped 8 to 3,130. Vaal Reefs fell R5.60 to R283.50 while De Beers shed a modest 25 cents to R24.55.

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World index falls in gloomy week

MARKETS IN PERSPECTIVE

	% change in local currency				Start of 1990	Start of 1990	% change in US \$?
	1 Week	4 Weeks	1 Year	Start of 1990			
Austria	-0.08	+6.42	+89.04	+47.41	55.48	54.11	-2.66
Belgium	+0.86	+2.16	+0.92	-4.50	-10.67	-2.21	-13.58
Denmark	-0.15	+3.68	+8.42	+0.26	-0.16	-0.16	-0.16
Finland	-1.37	-3.63	-16.00	-5.52	-11.41	-0.79	-1.37
France	-2.95	-3.78	-4.35	-4.20	-9.92	-2.49	-3.78
W. Germany	-1.21	+3.11	+25.69	+9.82	+0.98	+14.85	-1.21
Ireland	-2.76	-3.51	-3.00	-2.93	-8.74	-3.32	-2.76
Italy	-2.26	-4.44	+1.03	+1.23	-4.52	-8.63	-2.26
Netherlands	-2.43	-0.25	-2.16	-1.58	-11.04	-1.22	-2.43
Norway	+1.74	+5.68	+27.13	+21.94	+13.32	+28.02	+1.74
Spain	-2.88	+1.34	-1.57	-0.82	-3.37	-9.93	-2.88
Sweden	-0.75	-0.08	+15.83	+13.95	+5.21	+19.09	-0.75
Switzerland	-3.56	-2.63	+0.65	-0.16	-1.05	+12.67	-3.56
UK	-2.53	-2.01	-0.19	-4.26	-4.26	+8.92	-2.53
EUROPE	-2.21	-1.01	+0.58	-0.33	-4.67	+9.13	-2.21
Australia	-1.85	+4.64	-0.46	-2.41	-14.35	-2.66	-1.85
Hong Kong	-1.37	+6.34	+89.04	+22.03	+8.54	+22.49	-1.37
Japan	-5.02	-1.92	+18.95	+24.20	+6.81	+27.22	-5.02
Malaysia	-0.01	+6.47	+34.85	+0.31	-4.22	+8.97	-0.01
New Zealand	-3.74	-3.11	-3.33	-6.30	-18.18	-6.62	-3.74
Singapore	+1.08	+2.68	+15.82	+12.43	+3.28	+17.50	+1.08
Canada	-0.98	+0.23	-9.00	-8.80	-19.42	-8.82	-0.98
USA	-2.33	-1.42	+2.83	-0.30	-12.38	-3.30	-2.33
Mexico	+1.66	+13.03	+134.55	+83.14	+50.89	+71.44	+1.66
South Africa	+3.58	+2.37	+18.67	+6.18	-16.38	-4.87	+3.58
WORLD INDEX	-3.21	-2.26	-5.17	-10.19	-20.54	-8.99	-3.21

1 Based on July 27th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood & Co., and County NatWest Securities Ltd

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NATIONAL AND REGIONAL MARKETS

Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index
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